

**AGRICULTURE, RURAL DEVELOPMENT, FOOD
AND DRUG ADMINISTRATION, AND RE-
LATED AGENCIES APPROPRIATIONS FOR
FISCAL YEAR 2010**

THURSDAY, JUNE 4, 2009

U.S. SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS,
Washington, DC.

The subcommittee met at 1:05 p.m., in room SD-192, Dirksen Senate Office Building, Hon. Herb Kohl (chairman) presiding.

Present: Senators Kohl, Harkin, Johnson, Nelson, Reed, Pryor, Specter, Brownback, Bennett, Cochran, Bond, and Collins.

DEPARTMENT OF AGRICULTURE

OFFICE OF THE SECRETARY

STATEMENT OF THOMAS VILSACK, SECRETARY

ACCOMPANIED BY:

DR. KATHLEEN MERRIGAN, DEPUTY SECRETARY

**DR. JOSEPH GLAUBER, CHIEF ECONOMIST, U.S. DEPARTMENT OF
AGRICULTURE**

**DR. SCOTT STEELE, BUDGET OFFICER, U.S. DEPARTMENT OF AG-
RICULTURE**

OPENING STATEMENT OF SENATOR HERB KOHL

Senator KOHL. Good afternoon to everybody. We would like to welcome Secretary Vilsack back to this subcommittee at this time to present the administration's fiscal year 2010 budget request for USDA. The Secretary is accompanied by Dr. Kathleen Merrigan, Deputy Secretary; Dr. Scott Steele, the USDA Budget Officer; and Dr. Joseph Glauber, the USDA's Economist. We thank you all for being here with us today.

The fiscal year 2010 budget for discretionary programs at USDA is \$21.25 billion. This is an increase of \$1.9 billion from last year, or nearly 10 percent. At first glance, this appears to be a very robust budget and in many important ways, it indeed is.

The WIC program, which many of us consider essential, has been underfunded in recent executive budgets. By contrast, this budget includes an increase of \$917 million so that we can deal with increased food costs and maintain participation.

The rental assistance program would see an increase of \$189 million to prevent a large number of poor rural residents, many of them elderly, from losing their homes.

And funding for humanitarian food aid has increased by \$564 million.

These three changes alone make up nearly 90 percent of USDA's total budget increase. Just to repeat that, these three items alone make up nearly 90 percent of the total increase in the budget.

The rest of the money goes quickly. Information technology at the Department would see an increase of \$117 million. These funds are necessary to improve USDA data security and make sure computer systems do not fail. Without them, we run a significant risk of delayed farm payments and deferred farm bill implementation.

USDA energy programs, which we hope will help lead our Nation toward a renewable energy future, receive an \$80 million increase.

The Food Safety and Inspection Service budget includes an increase of \$47 million to provide more inspections and improve information systems.

There are obviously more increases, but I will leave those for the Secretary to discuss. I would like to point out, however, that a portion of these increases are made possible only by reducing mandatory farm bill spending to the tune of \$678 million. This is nearly \$200 million more in cuts than we took last year. While I appreciate the Department's mandate to find offsets to fund the President's initiatives, I am certain you understand the precarious situation these farm bill cuts create in Congress.

Mr. Secretary, our Nation has significant challenges ahead, and this budget lays out a plan to begin addressing them, but I have feared for some time that many do not fully appreciate the breadth of USDA's mission or why these investments are important.

All of us enjoy greater food safety because of USDA. Nearly one in five Americans participate in USDA nutrition programs. USDA research is developing better crops and energy systems whose benefits are widely spread across our society.

Rural development programs bring safe drinking water, affordable housing, and essential community facilities to regions that would otherwise almost certainly be overlooked. These are all important tasks that demand thoughtful, deliberative treatment in the appropriations process.

So, Secretary Vilsack, I—and I am sure everybody else—am very pleased that you're here. We all believe that you will do an outstanding job, and we look forward to working with you in the coming years.

After other opening statements from Senators, Mr. Secretary, the floor will be yours.

Senator Brownback.

STATEMENT OF SENATOR SAM BROWNBAC

Senator BROWNBAC. Thank you very much, Mr. Chairman.

Welcome, Mr. Secretary. Good to have you here and good to have a good fellow Midwesterner in that position of Secretary of Agriculture.

I also think it is very, very, very helpful to the Midwest that Iowa is the first caucus. It drives a lot of Senators to travel through Iowa and get to know our issues throughout the Midwest. So I think that is a very good thing. They formed a caucus in the U.S. Senate of Members of the U.S. Senate who would never, ever, ever

run for President, and there is like two people in it. So it means 98 have got some passing interest of going through your State. And I am delighted you are hearing about them.

I am glad you are at USDA. USDA touches each American's life multiple times a day, food, housing programs, research and assistance. My State of Kansas is a great beneficiary of USDA programs. It got the first land grant university in the country at Kansas State University. We have got valuable USDA research. We provide valuable USDA research. My State produces a lot of food and agricultural products, and we are dependent upon that research. We want to see it continue.

I want to highlight two quick areas. I really want to hear from you today about your targets that you want to hit as Secretary of Agriculture. You have a great position and a period of time in which you get to drive the ship, and I want to hear where you want to take it.

A couple that I am very concerned about, food insecurity around the world. I think this is a big problem for us. It is a big opportunity for us in both providing food for people, and then I think getting back on agricultural development programs globally.

I have been doing a fair amount of research and meeting with experts on this. In the mid-80s, we pulled out of agricultural development work in a lot of places around the world, and I think it has been quite harmful to us. I think there was a trend at that point in time, it is not really working, we do not need to do this, so let us pull out of it and let us just go to emergency food assistance programs. And I think we have suffered consequences because of it. I am going to go through that some more in questioning.

But particularly what Senator Bond has pushed in Afghanistan on some of the ag development work to help us stabilize Afghanistan I think is good in a fighting region, but there is also chronic places like Malawi and others where agricultural developments continue to decline. I think we need to figure out ways we can use our food assistance, again, to get us back in the agricultural development game, and I think it is important to do it.

Another one is in bioenergy. I do not think there is an area that the rural States are more excited about than bioenergy. Certainly grain-based ethanol is having some difficulty now and there is some consolidation taking place in that business. But it is providing a key portion of our energy equation. Our efforts in cellulosic ethanol are very intriguing and I hope will be quite successful. Biomass. I just came from an Energy meeting markup and we are looking more and more at biomass for meeting renewable energy standards and needs. Wind energy, although not in your purview, is one that generated a lot of interest and support across many areas of the Midwest. I cannot think of probably a better area for rural development than in the bioenergy field, and I want to hear what you want to try to do more in that particular area.

The final point is on rural development programs. I have been around this for a long time. There are 90 different grant, loan, or standalone programs in the rural development area, and you have got to really question whether we need all 90 of those or if you would be better off with three big, well-funded ones or five maybe. But it just has made it so complicated that people cannot access

it or they get a little piece here and they find another piece there. You have got to hire somebody to find the program. I would think it would really be one you could break into.

So I am delighted to have you at that position. Welcome here.

I want to welcome Susan Collins, new to the subcommittee, as well. Mr. Chairman, she is going to do a great job and educate us about Maine agriculture and potatoes and all sorts of other things I am sure. Lobster, a great Maine dish. So thank you very much for the hearing. Welcome, Susan.

Senator COLLINS. Thank you.

Senator KOHL. Thank you very much, Senator Brownback.

Other statements from Senators? Senator Pryor, Senator Cochran, Senator Bond, Senator Johnson, and Senator Collins.

Senator Cochran.

Senator COCHRAN. Mr. Chairman, I ask unanimous consent that my statement be printed in the record.

[The statement follows:]

PREPARED STATEMENT OF SENATOR THAD COCHRAN

Mr. Chairman, thank you for holding this hearing to review the Administration's fiscal year 2010 budget request. I welcome Secretary Vilsack and other officials from the U.S. Department of Agriculture on the witness panel.

Mr. Secretary, I commend you for working aggressively to implement the 2008 farm bill. The enactment of this new law followed many hours of debate, and it should be implemented so as to reflect the intent of Congress. I also want to highlight the fact that production agriculture views the farm bill as a multi-year commitment from the government. In other words, I ask you to resist the urge to reopen farm bill provisions that impact the farm safety net.

In addition, I want to mention the importance of the Natural Resources Conservation Service and its role in administering conservation programs. Programs such as the Environmental Quality Incentive Program, Wetlands Reserve Program and Wildlife Habitat Incentive Program are important to farmers and land owners across the United States. These conservation programs are limited by either funding caps or acreage caps, so it is important to wisely administer these funds to as many producers and landowners as possible.

An important aspect of the Agriculture Appropriations bill is the annual funding provided for agricultural research. This research helps enable U.S. producers to remain the leaders in food and fiber production. We need to work toward providing adequate funding to continue important research initiatives.

Mr. Secretary, I am concerned about your recent comments suggesting that agriculture may benefit from cap-and-trade offsets. It is more likely that crop producers will face increased input costs if Congress enacts cap-and-trade legislation. As you review the impact of climate change legislation on agriculture, I ask you to remember that those producing the food we eat are important to our way of life. We should fully consider the consequences of further increasing input costs.

Thank you again for appearing before the subcommittee. I look forward to your testimony.

Senator KOHL. Thank you so much.

STATEMENT OF SENATOR TIM JOHNSON

Senator JOHNSON. Mr. Chairman, I ask unanimous consent that my full statement be entered into the record.

I have a couple other things to comment about. I am pleased that with the targeting of farm program payments with the \$250,000 payment limitations cap. I am pleased that Secretary Vilsack has worked so hard at implementing country-of-origin labeling.

I am also concerned for some parts of the budget, including a \$500,000 annual sales limit for direct payments which does not reflect actual farm income.

PREPARED STATEMENT

And I look forward to working with you on issues important to our ag communities and to fund priorities important to South Dakota. Thank you.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TIM JOHNSON

Chairman Kohl and Ranking Member Brownback, thank you for holding today's hearing to discuss the President's fiscal year 2010 proposed agriculture budget. Thank you, Secretary Vilsack, for coming to the Hill today. I'd also like to especially thank you for the work you've done to implement mandatory Country of Origin Labeling properly, which has been a priority of mine for nearly 17 years, since I introduced my first meat labeling bill in 1992.

Agriculture has a \$21.3 billion per year impact in South Dakota, and the Federal government's agriculture spending priorities impact the success of our rural communities and our national food security. I am pleased to see an emphasis on many important ag priorities in the President's proposed budget, including a targeting of farm program payments with a \$250,000 commodities payment limit cap, Commodity Supplemental Food Program funding, and money for the implementation of COOL.

I am also, however, concerned for some parts of the budget, including the \$500,000 annual sales revenue limit for direct payments, which does not reflect actual farm income, and a plan to cut funding for the Resource, Conservation and Development Councils, which generate over five local dollars for every dollar of Federal investment.

I look forward to working with you on issues important to our agricultural communities and to fund priorities important to South Dakota. Thank you.

Senator KOHL. Thank you, Senator Johnson.
Senator Bond.

STATEMENT OF SENATOR CHRISTOPHER S. BOND

Senator BOND. Thank you, Mr. Chairman. I will pass up the opportunity to be as brief as some of my colleagues.

I do want to mention one area that I think is of overall concern. The Food, Conservation and Energy Act of 2008 established the new National Institute of Food and Agriculture, or NIFA, to provide enhanced support for research, extension, higher education programs, dealing with all of the challenges not only that we face but the world faces. Research under this would encourage better land use management, provide efficient nutrition and nutrient and pesticide application, increase domestic energy production, increase nutrition awareness, many, many things.

I am disheartened that the administration in this initial budget proposal places little emphasis on ag research and, instead of increasing our capabilities, would cut \$237 million from the research, education, and economics portion of the USDA budget. I think that is a cause for concern. I will ask a question on it, but I hope, Mr. Chairman and Senator Brownback, that we will be able to have a discussion on that.

Senator KOHL. Good.
Senator Collins.

STATEMENT OF SENATOR SUSAN COLLINS

Senator COLLINS. Thank you very much, Mr. Chairman. Let me just say that I am delighted to be a new member of this subcommittee.

I just want to express some concern also about the President's budget in the area of the zeroing out of the rural empowerment zones and Enterprise Communities Grants Program. There is no funding for resource conservation and development programs. As my colleague has mentioned, the agricultural research has taken a hit. Particularly, the USDA ARS Buildings and Facilities account is zeroed out as well as the Healthy Forest program. There are a lot of concerns that I have about the priorities set in this budget.

I am very pleased to be a new member of this subcommittee and to work with you, Mr. Chairman, and the ranking member, Senator Brownback. Thank you.

Senator KOHL. Thank you, Senator Collins. It is great to have you with us.

Senator COLLINS. Thank you.

Senator KOHL. Mr. Secretary, we would love to hear from you.

STATEMENT OF SECRETARY THOMAS VILSACK

Secretary VILSACK. Thank you, Senator, and Mr. Chairman, thank you very much for the opportunity. I appreciate the comments.

I am going to depart from what traditionally would take place, which is to read a statement that is a part of what we would submit for the record, and just simply talk very briefly about the priorities of USDA.

Let me, first and foremost, say that the budget that we are going to discuss today was fashioned in a fairly rapid time period, at a time when USDA was obviously not fully staffed and manned because we were in the process of transitioning to the new administration. So it is important, I think, for the committee to know precisely what our priorities are and how they might be reflected in this budget.

Let me, first and foremost, say that we believe the USDA is an every-day, every-way Department. As Senator Brownback indicated, this is a Department that intersects American lives every single day in multiple ways.

In order for us to reflect that role and that responsibility, we have a set of agenda items and priorities that really cover the wide range of USDA's portfolio.

We are very concerned about rural development and economic development in rural communities, and we believe that the time has come for a wealth creation approach to rural development that focuses on regional and coordinated investment, not only coordinating investments within USDA, but also coordinating those investments with other Federal investments as well as what State and local government is investing in economic development. We think there are synergies and opportunities for coordination.

We think there are opportunities to create wealth and repopulate rural America. We believe that will require us to target our resources, to focus on building the infrastructure for high-paying jobs, starting with an expansion of broadband to unserved areas. This committee, this Congress, through the American Recovery and Reinvestment Act, saw fit to provide additional resources, and I will assure the committee during the course of questions that we are intending on putting those resources to work very quickly to

expand that very important technology to unserved areas in rural America.

We want to aggressively implement the energy title provisions of the 2008 farm bill. We want to focus on expanding local and regional food systems for local wealth creation. We, obviously, want to continue a focus on value-added local commodity agriculture, and we want to make community facility investments that result in rural areas being great places to live, work, and raise families.

We also want to make sure that we continue to promote nutrition and food safety. It is the goal of the President. It is the goal of USDA, and I suspect it is the goal of this committee to significantly reduce childhood obesity and hunger in this country. At the same time, we will work with our partners at Health and Human Services to develop a modern and coordinated food safety system.

Our forests are extraordinarily important not only in and of themselves, but also for the significant role they play in preserving the quantity and quality of water, particularly in the Western United States. We want to develop an ecologically sustainable forest and private working land system with a focus on conserving water resources and improving water quality, while at the same time restoring our natural forests and linking that work with our conservation work on private working lands.

We want USDA to be a modern workplace and a modern workforce. That will require working with this committee to modernize, stabilize, and securitize our technology so that we may be able to provide services more quickly and more conveniently to people in rural communities.

We will focus on expanded trade promotion, particularly through a coordinated strategy for exporting biotechnology crops.

We will work very hard to advance the notion of food security worldwide based on the principles of expanding the availability of food, the accessibility of food, and the utilization of food. Our focus initially will go on Afghanistan and Pakistan and sub-Saharan Africa.

We also want to maintain an appropriate farm safety net. We will, obviously, have conversations about the proposal relative to direct payments, but our commitment is to work with this Congress to maintain a strong and adequate and appropriate farm safety net. We think there are opportunities for reform in crop insurance, and we do believe it is appropriate to focus on a \$250,000 hard cap, but we will be glad to work with this committee on other ideas and other thoughts.

Finally, we want to be a Department that makes a true commitment to civil rights, a commitment that reflects the culture and diversity of this country that is also reflected in rural communities. We are committed to a fair resolution of outstanding and long-standing civil rights cases against the Department, as well as a reduction and resolution of equal employment opportunity complaints that are currently within the Department.

PREPARED STATEMENT

Mr. Chairman, this is an aggressive agenda. We believe that this budget, as presented to you, is a start. By no means will it finish

the job. We look forward to working with this committee and responding to questions that you might have. Thank you.

[The statement follows:]

PREPARED STATEMENT OF THOMAS VILSACK

Chairman Kohl and distinguished members of this subcommittee, it is a pleasure to come before this subcommittee today to discuss the details of the President's 2010 budget request for the Department of Agriculture. I would also like to take this opportunity to provide you an update on our efforts to eliminate wasteful and inefficient spending and to implement the American Recovery and Reinvestment Act (ARRA) of 2009.

I am joined today by Deputy Secretary Kathleen Merrigan; Scott Steele, our Budget Officer; and Joseph Glauber, our Chief Economist.

When I accepted this position, the President outlined three key goals for the Department of Agriculture. First, he is very concerned about the health and welfare of America's children and wants to make sure our children have access to nutritious food. Second, he wants to make sure we do everything we can to expand the capacity of our farms, ranches, and rural communities to produce alternative forms of energy. Third, he wants to make sure we aggressively pursue the research necessary to allow agriculture to transition away from its significant dependence on fossil fuels. Fulfilling these goals will be a great challenge, particularly in the context of meeting challenges in the Department's other responsibilities including food safety, conservation, trade, and administering the farm safety net. The current economic situation and difficulties of drought and other severe weather faced by large areas of farm country add another level of complexity to the work we have before us.

But, with these challenges come historic opportunities for agriculture and rural America. I look forward to working together with this subcommittee to fulfill the President's goals and our key responsibilities for the long term benefit of producers and all Americans. We intend to capitalize on these opportunities quickly through a much more effective effort to coordinate programs within the various parts of the Department and with other Federal, State, and local entities.

Over the first 100 days of this administration, USDA has set out on a new course to promote a sustainable, safe, sufficient and nutritious food supply, to ensure that America leads the global fight against climate change, and to revitalize rural communities by expanding economic opportunities. We have moved quickly to respond to these difficult economic times by creating jobs, increasing food aid to those in need, and revitalizing rural communities. We have also made civil rights a top priority with definitive action to improve the Department's record and move USDA to be a model employer and premier service provider.

I look forward to working with you, Mr. Chairman, and the members of this subcommittee as we continue our hard work to ensure that USDA is at the forefront of change.

IMPROVING FINANCIAL INTEGRITY

In order to improve financial integrity of the Department, I directed Subcabinet officials to review their agency's financial activities for wasteful and inefficient spending, and report on "savings" each week. This has been a productive effort, which has resulted in the implementation of more efficient procedures and cost avoidance measures. The Terminations, Reductions and Savings volume of the fiscal year 2010 budget identifies annual savings of \$19.5 million from a sample of the actions USDA agencies have taken. In addition, we will achieve a cost avoidance of \$62 million in lease costs over 15 years as a result of consolidating seven leased facilities located throughout the DC metropolitan area into one location.

As we move forward in implementing the President's agenda, we will continue to root out inefficient management practices and improve our use of funds.

RECOVERY ACT

Before I delve into the specifics of the 2010 budget, I would like to provide an update on our efforts to implement the American Recovery and Reinvestment Act (ARRA) of 2009.

USDA received \$28 billion of ARRA funding. Of this amount, almost \$20 billion, or approximately 70 percent, is for increasing the monthly amount of Supplemental Nutrition Assistance Program (SNAP) benefits currently assisting over 32 million low-income people and increasing the block grants to Puerto Rico and American Samoa.

The remaining funds are for: supporting nutrition assistance programs that primarily target low-income women, infants, and children; expanding opportunities for broadband service in rural areas; improving community facilities, such as firehouses, libraries, schools, and rural medical clinics; improving drinking water and wastewater treatment; increasing farm assistance; promoting rural economic development; and supporting conservation projects to protect our Nation's forests and farm land.

Since Enactment of the Recovery Act, we Have

- Worked with State partners to increase maximum SNAP benefits by 13.6 percent, which translates to an additional \$80 each month for a family of four. We also allocated \$100 million in emergency food assistance through TEFAP, and \$25 million in administrative funds for the Nation's emergency food assistance network;
- Distributed all of the \$173 million in Recovery Act funding for direct farm operating loans that has provided assistance to 2,636 farmers, of which approximately half were to beginning farmers and 22.8 percent were to socially disadvantaged farmers;
- Announced a national signup for up to \$145 million in floodplain easements and extended the deadline to ensure landowners impacted by flooding in States like North Dakota and Minnesota are given an opportunity to apply. This will restore and protect an estimated 60,000 acres of flood-prone lands;
- Provided \$45 million for the rehabilitation of watersheds, many of these projects are nearing the end of their 50-year design life. Recovery funds will be used to upgrade structures to current safety standards, thereby protecting life, property and infrastructure downstream for more than 90 years. USDA has also provided \$85 million for 53 new flood prevention project efforts in 21 States and territories;
- Made available about \$760 million in funding to provide safe drinking water and improved wastewater treatment systems for rural towns in 38 States. USDA also received \$2.5 billion for expanding rural broadband into communities that otherwise might not have access. USDA has begun implementation in concert with the U.S. Department of Commerce and is determining the best targeted utilization of the funding. These efforts will create jobs and revitalize rural communities;
- Provided approximately \$60 million in essential community facilities and emergency responder projects to help communities in 39 States; and
- Made approximately \$4.4 billion in guaranteed and direct single family housing loans for over 37,000 loans.

I want to assure this subcommittee that the Subcabinet, agencies and the Department will be held accountable for not just swift implementation, but also for ensuring the funds are used efficiently and effectively. You should be confident that we are working hard to achieve the President's goals to revitalize the economy.

2010 Budget

The President's 2010 budget, released on May 7, 2009, proposes \$21.3 billion for discretionary programs under the jurisdiction of this subcommittee, an increase of nearly \$2 billion over the 2009 levels provided in the Omnibus Appropriations Act. This increase is primarily associated with the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), international food assistance, rural development and other priority programs.

The 2010 budget reflects the President's commitment to be transparent to the American people. Our budget accounts fully for the costs to operate the government. In addition, as I had mentioned, we have reviewed all of our operations for wasteful and inefficient spending. Therefore, the 2010 budget reflects a reduction of over \$450 million for the elimination of earmarks and funding for programs that are not as high a priority as others, or programs that provide services that can be supported by other means.

I would now like to focus on some specific program highlights.

Nutrition

Consistent with the President's commitment to present an honest, transparent budget, we are including sufficient resources to support estimated participation in the nutrition assistance programs.

For WIC, the budget proposes \$7.8 billion in budget authority to support an average monthly participation of 9.8 million in 2010. This is a total increase of over \$900 million in USDA's largest discretionary program. The budget provides \$225 million in WIC contingency funds, for a total contingency fund of \$350 million with carry-over from fiscal year 2009, should costs increase beyond current estimates. Addition-

ally, the budget includes \$30 million to assist States in modernizing and upgrading their management information systems.

On the mandatory side, the budget includes over \$1.8 billion in increases for Child Nutrition Programs, to support the increased level of school lunch participation and food cost inflation. School lunch participation is estimated to grow to about 32.1 million children each school day, with free meal participation increasing from about half of the total meals in fiscal year 2008 to almost 53 percent in fiscal year 2010. The budget includes \$5 million for Hunger-Free Community Grants authorized by Section 4405 of the 2008 farm bill and \$0.7 million to expand the HealthierUS School Challenge program. In addition, the administration is proposing an increase of \$10 billion over 10 years for reauthorization of the Child Nutrition Programs. These increases will support the President's efforts to reduce childhood hunger and obesity by improving access to nutritious meals, to encourage children to make healthy food choices, and to enhance services for participants by improving program performance and integrity.

For the Supplemental Nutrition Assistance Program (SNAP), the budget includes \$67 billion, including \$5.9 billion in Recovery Act funds, to fully fund estimated monthly participation and provides \$3 billion in contingency funds, for a total contingency fund of \$6.0 billion with carryover from fiscal year 2009, should actual costs exceed the estimated level. Participation in SNAP is estimated to be about 32.6 million per month in 2009, and is projected to increase to 35.0 million in 2010. The Recovery Act benefit increase will remain in place until the normal cost of living adjustment catches up to the higher benefit levels.

The budget proposes discretionary funding for the Commodity Supplemental Food Program (CSFP) at a level needed to maintain the current participation and continues funding for The Emergency Food Assistance Program (TEFAP).

In order to improve the administration of nutrition programs, the budget includes increases in the Nutrition Programs Administration account to improve payment accuracy, advance the use of technology in benefit delivery, and enhance nutrition education.

In 2010, we look forward to issuing the revised Dietary Guidelines for Americans, which are the cornerstone of Federal nutrition policy and the foundation on which all Federal nutrition education, diet and physical activity guidance, and nutrition assistance programs are built. The process of establishing the Dietary Guidelines requires an investment in assessing the most current and credible scientific evidence on which to base them, a function that USDA created and employs through its Nutrition Evidence Analysis Library. USDA will be working to update the nutrition assistance programs to reflect the latest science found in the 2010 Dietary Guidelines. Further, the Department will build upon its enormous success in promoting healthy eating habits and active lifestyles with MyPyramid, including enhancements of the interactive and personalized tools, such as the recent MyPyramid for Pregnant and Breastfeeding Women, and MyPyramid for Preschoolers. MyPyramid is an important investment in the fight on obesity and much more needs to be done in this area, and to increase the level of physical activity that Americans engage in on a daily basis.

Food Safety

A key responsibility I have is to make sure Americans have safe and sufficient and nutritious food. Although we have a strong food safety system, we need to continue to work to do a better job. We must focus on eliminating hazards before they have an opportunity to make anyone sick, developing technologies that will help us discover risks and allocate resources to reduce this risk, and during outbreaks rapidly identify and respond to incidents of foodborne illness. I am committed to modernizing the food system, focusing on preventing rather than mitigating the consequences of food-borne illness.

For 2010, the budget requests over \$1 billion for the Food Safety and Inspection Service. Not only will this funding will ensure that the demand for inspection is met as it provides for increased investments that will improve prevention, early detection, and mitigation that will reduce the adverse health impacts related to foodborne illness.

The budget includes an increase of \$23 million to improve the food safety Public Health Infrastructure. These improvements will strengthen and secure FSIS' ability to target food safety inspections and investigate food safety outbreaks. In addition, the budget includes an increase of \$4 million for additional food safety assessments. These assessments are conducted by a team of investigators with a broad array of skills necessary to conduct a comprehensive evaluation of an establishment's food safety control system and potential public health risks associated with meat, poultry, and egg products.

The budget estimates that \$153 million in existing user fees for voluntary inspection will be collected. For 2010, we will submit legislation to Congress that would authorize the collection of fees to cover the cost of additional inspection activities necessary for establishments with performance failures such as retesting, recalls, or inspection activities linked to an outbreak.

As a member of the President's Food Safety Working Group, I look forward to working with Secretary Sebelius and others to develop a strategy that will achieve the President's goals to upgrade our food safety laws for the 21st century and ensure that we are not just designing laws that will keep the American people safe, but enforcing them. The working group will improve coordination between USDA and the Department of Health and Human Services and other Federal food safety agencies. These activities will strengthen our capacity to reduce foodborne illnesses and deaths resulting from foodborne illness.

Trade

USDA has an important role in expanding exports for our agricultural products. It is significant that, while the country as a whole has a trade deficit, agriculture has a trade surplus. USDA estimates that the trade surplus for agricultural products will be \$13 billion in fiscal year 2009. To encourage further export expansion for our products, we need to work hard both in Washington and in our offices overseas to ensure continued access to overseas markets. I appreciate the subcommittee's support in providing additional resources in 2009. Our 2010 budget builds on this foundation with \$16.4 million in additional funds to meet critical needs in the Foreign Agricultural Service. The budget places particular emphasis on maintaining FAS's overseas presence so that its representation and advocacy activities on behalf of U.S. agriculture can continue and on upgrading FAS' information technology infrastructure. These funds are critical to continue our efforts to break down trade barriers that limit our capacity to export, such as the imposition of sanitary and phytosanitary barriers that are not in accord with international standards or science-based. As world market conditions deteriorate under the current financial crisis, we must be especially vigilant to ensure that we keep markets open as we move forward.

Expanding our access to world markets and developing long-term trade relationships continue to be vital components of our strategy to improve the vitality of the farm sector and quality of life in rural areas. Due to the global credit crisis, we have seen a significant increase in demand for export credit guarantees provided through the GSM-102 program. To help meet this demand, the budget provides a program level of \$5.5 billion for CCC export credit guarantees for 2009 and 2010. This is a noteworthy increase in programming from as recently as 2007, when the program registered sales of \$1.4 billion.

International Food Assistance

An important focus of the Department's international work is providing foreign food assistance and promoting agricultural development overseas. The administration has established the goal of renewing the U.S. leadership role in global development and diplomacy, and fostering world food security. The international food aid programs, such as the McGovern-Dole International Food for Education and Child Nutrition and Public Law 480 Title II programs, contribute to that goal by addressing food insecurity throughout the world and supporting development, health, and nutrition.

In support of those objectives, the 2010 budget increases appropriated funding for the McGovern-Dole program to nearly \$200 million, a doubling of the 2009 enacted level. We estimate the program will assist over 4.5 million women and children during 2010 at that funding level. This is a valuable program that promotes education, child development, and food security for some of the world's poorest children.

For the Public Law 480 Title II program, the budget provides a program level of nearly \$1.7 billion, an increase of \$464 million above the 2009 enacted level. The increase will reduce our reliance on the need for future emergency supplemental funding. Supplemental appropriations for the Title II program have been requested repeatedly in recent years in response to a substantial growth in emergency food assistance needs. In that regard, we appreciate the Committee's favorable action on the supplemental request submitted by the President on April 9.

Environmental Services Markets

The President has made clear his priorities in addressing climate change and expanding our capacity to produce renewable energy. These priorities create significant new opportunities for farmers and ranchers to succeed. The agriculture and forestry sectors hold the potential to deliver substantial emissions reductions, including carbon sequestration, under a national climate change policy and the establish-

ment of environmental services markets. The budget reflects the new course the administration has set to ensure that America leads the global fight against climate change, and to revitalize rural communities by expanding economic opportunities, while maintaining a sustainable, safe, sufficient and nutritious food supply. To create additional economic opportunities for America's farmers and ranchers, the administration is pursuing new initiatives that reward producers for sequestering carbon and limiting greenhouse gas emissions by providing mechanisms for producers to generate income through environmental services markets. By seizing the opportunities presented by environmental services markets, producers will be able to transition away from a dependence on traditional farm programs.

To this end, the budget includes an increase of \$15.8 million to develop markets that reward producers for sequestering carbon and limiting greenhouse gas emissions. This includes \$1.8 million to develop the metrics and certifications associated with the environmental services related to conservation and certain land management activities. We are also requesting an increase of \$9 million to enhance the research and analytical capabilities of the Department related to global climate change and \$5 million to conduct Government-wide coordination activities that will serve as the foundation for the establishment of markets for these ecosystem services.

We need to ensure that farmers and ranchers capitalize on emerging markets for clean renewable fuels and help America reduce its dependency on foreign oil by helping establish the demand necessary to support increased production of biofuels.

Renewable Energy

The 2008 farm bill provided significant mandatory funding to support the commercialization of renewable energy. The 2010 budget builds on this investment in renewable energy and biobased activities by requesting discretionary funding to support almost \$780 million in investments, approximately a net increase of about \$275 million from 2009. This includes increases of \$218 million for loan guarantees and \$32 million in grants to support renewable energy and energy efficiency projects under the Rural Energy for America Program (REAP). This request would more than double the amount of funding made available for REAP under the farm bill for 2010. In addition, the budget supports an increase of \$49 million in loan guarantees for the Biorefinery Assistance Program.

The emphasis on renewable energy research will be on production of energy crops. The 2010 budget proposes an increase of \$11 million for the development of new varieties and hybrids of feedstocks with traits for optimal production and conversion to biofuels. The funding will also be used to develop a new data series on the supply and location of commodity production for renewable fuels.

Rural Development

USDA's Rural Development (RD) programs provide essential support to rural America by providing financial assistance for broadband access, housing, water and waste disposal and other essential community facilities, electric and telecommunication facilities, and business and industry.

The 2010 budget includes funding to support over \$21 billion for loans, loan guarantees, and grants for the Rural Development on-going discretionary programs, an increase of \$825 million over 2009. This makes Rural Development one of the largest lenders in the country.

The budget will support over \$7.3 billion in direct and guaranteed single family housing loans that will provide more than 59,000 rural homeownership opportunities. In addition, the budget includes \$1.1 billion, an increase of \$188 million over 2009, to provide for rental assistance payments for 248,000 low-income households that reside in USDA financed multi-family housing and receive such assistance. This is sufficient for the renewal of all expiring rental assistance payment contracts. Rental assistance payments protect the rents of low-income rural residents who live in USDA financed multi-family housing projects. By maintaining these payments, we not only provide support to recipients, but also provide financial stability for multi-family projects that provide affordable housing to 460,000 families who live in these projects.

The 2010 budget maintains significant support for infrastructure programs, such as the Water and Waste Disposal program and the Electric program. The budget funds approximately \$1.6 billion in on-going direct loans and grants, an increase of \$80 million over 2009, for essential water and waste disposal services. This program received an additional \$3.7 billion under the Recovery Act and \$300 million under the 2008 farm bill to reduce the backlog of applications. These investments will help bring increased economic benefits to rural America by providing needed water and waste disposal systems and by creating jobs. For the Electric program, the budget

provides \$6.6 billion in funding for loans for the construction of electric distribution and transmission systems and to maintain existing generation facilities. This level of funding is sufficient to meet the expected demand for these loans.

Increasing access to broadband service is a critical factor in improving the quality of life in rural America and in providing the foundation needed for creating jobs. The 2010 budget includes funding to support \$1.3 billion for telecommunications loans and grants, including broadband. This funding level, coupled with the additional funding provided for USDA's broadband programs in the Recovery Act, will significantly accelerate the deployment of broadband access in rural America. These investments will increase access to quality broadband service, which is essential to keeping pace in a world that relies on rapid telecommunications.

The 2010 budget also supports \$546 million in direct loans, loan guarantees and grants for essential community facilities, such as health care and public safety facilities; as well as \$993 million in business and industry loan guarantees and \$34 million in zero-interest direct loans for intermediary relending.

To spur the development of small business and value-added agriculture in rural America, the 2010 budget provides a \$63 million increase for rural small business development in the Rural Microentrepreneur Assistance Program (RMAP), which is in addition to the \$4 million in mandatory funding provided by the 2008 farm bill. An increase of \$18 million is requested for Value-Added Producer Grants and nearly an \$8 million increase for Rural Cooperative Development Grants.

In keeping with the President's direction to eliminate spending that is no longer needed, the 2010 budget does not provide any funding for the EZ/EC grants for which the statutory authority expires, high energy cost grants which serve a narrow interest that can qualify for USDA assistance under several Rural Development programs, and grants for public broadcasting digital conversion, which is due to be completed in June 2009.

Diversity of Agricultural Production

Consistent with President Obama's desire to invest in the full diversity of agricultural production, the budget focuses greater attention on assisting the organic sector, providing greater assistance to producers of specialty crops, and supporting independent livestock producers.

The budget includes an additional \$2.9 million, a 74-percent increase, in funding for the National Organic Program, which will support enhanced outreach and education and ensure program compliance to maintain labeling credibility.

The budget also includes additional funding for USDA to work with the fruit and vegetable industry to develop, establish, and operate Federal marketing agreements or orders that will involve quality factors affecting food safety for U.S. leafy greens or other fruits and vegetables.

In an era of market consolidation, the administration will support policies to ensure that family and independent farmers have access to markets, control over their production decisions, and transparency in prices. This includes implementation of farm bill-related regulations to enhance enforcement of the Packers and Stockyards Act, which prohibits unfair, deceptive, and fraudulent practices. For 2010, additional funding is included to strengthen enforcement of the Packers and Stockyards Act. Proper enforcement will ensure a level playing field that fosters fair competition, provides payment protection, and guards against deceptive and fraudulent trade practices in the livestock and meat sectors.

Research

USDA's science agencies have been successful in developing innovative research technologies and solutions to deal with the highest priority issues facing American agriculture. Today we are confronted with national and global challenges that will require both an educated workforce and pioneering scientific research to effectively address. The 2010 budget includes proposals to revitalize rural education and confront the challenges of global climate change, bioenergy production and childhood obesity.

Consistent with the President's pledge to make math and science education a national priority at all grade levels and revitalize rural economies, the 2010 budget for the National Institute of Food and Agriculture includes an increase of \$70 million for research, education and extension activities. These funds will be used to provide incentives for educators in rural areas to enhance their teaching skills by establishing Rural America Teaching Fellowships, which will encourage qualified teachers to pursue professional development activities. The additional funding will allow secondary, 2-year postsecondary, and higher education institutions serving rural areas to update and revise their curricula and coordinate research and extension activities in the food and agricultural sciences. This initiative will also help

strengthen the teaching, research, and extension programs in the food and agricultural sciences at 1890 and 1994 Land Grant Colleges and Hispanic-Serving Institutions. Finally, a new competitive grant program, utilizing the existing infrastructure of 1862 and 1890 land-grant institutions, will be implemented to support rural entrepreneurship and sustain jobs in rural communities through training and the creation of web-based tools.

The budget for the Agricultural Research Service (ARS) includes \$37 million in increases for high priority research in areas such as childhood obesity, bioenergy, world hunger, and global climate change. This includes an increase of \$13 million for a major ARS initiative to develop effective sustainable practices to help reduce childhood obesity through preventative measures. As past attempts at treating obesity have proven unsuccessful, research will seek to determine the barriers to individuals in following the healthful eating and physical activity recommendations set forth in the Dietary Guidelines as well as study family centered interventions to determine their ability in preventing obesity in children. In conjunction with this effort, ARS will work to develop new healthier foods which increase satiety, decrease caloric density, and increase dietary fiber.

The 2010 budget for ARS also includes an increase of \$11 million to conduct research on the development of new hybrids and varieties of bioenergy feedstocks that have the traits necessary for the optimal production and conversion to biofuels. ARS is uniquely suited to lead this research, because it maintains the National Plant Germplasm Collection, the world's largest seed collection, and administers important genetic improvement and breeding programs. Research will also focus on developing strategies and technologies that will result in the sustainable, efficient and economic production practices of energy from forestry and agricultural products in ways that maintain the quality of the natural resource base.

As I mentioned earlier, the budget supports research for global climate change aimed at developing mitigation and adaptation strategies through science. The budget proposes increases of \$9 million within ARS to assess and manage the risks of global climate change to agricultural production and \$1.8 million within the Economic Research Service budget to support research on the economics and policies for reducing greenhouse gas emissions.

For the National Agricultural Statistics Service (NASS), the budget includes an increase of \$1.8 million to establish a data series on key elements of bioenergy production and utilization which will be instrumental in developing a renewable energy infrastructure. The budget also includes an increase of \$5.75 million to restore the chemical use data series which will allow the collection of data on major row crops on an alternating year basis. This data series will enable USDA, EPA and others to respond adequately to questions about agricultural chemical use and its possible effects on the environment.

These program increases are offset by reductions in research and extension earmarks and lower priority projects that total about \$260 million.

Farm Safety Net

The President's Budget includes proposals to improve fiscal responsibility, while supporting a robust safety net for producers that provide protection from market disruptions, weather disasters, and pests and diseases that threaten the viability of American agriculture. I want to reassure you that the President's Budget maintains the three-legged stool of farm payments, crop insurance, and disaster assistance. However, in keeping with the President's pledge to target farm payments to those who need them the most, the budget proposes a hard cap on all program payments of \$250,000 and to reduce crop insurance subsidies to producers and companies in the delivery of crop insurance. Crop insurance costs have ballooned in recent years from \$2.4 billion in 2001 to a projected \$7 billion in 2009. The President's 2010 budget would rein in these costs by saving over \$5.1 billion over the next 10 years. While the budget includes a proposal to phase out direct payments to the largest producers, the Department is prepared to work with Congress and stakeholders as these proposals are considered.

Farm Programs

To better respond to the Nation's economic troubles, USDA took swift action to implement the farm bill, and we will continue to move rapidly to implement the remaining portions of the farm bill. To that end, the 2010 budget requests an increase of \$67.3 million to continue the Farm Service Agency's IT modernization effort and activities necessary to stabilize its legacy computing environment. This funding will supplement the \$50 million provided in the Recovery Act for FSA's IT needs. The combined funds from the Recovery Act and the 2010 budget will allow us to continue to make progress in improving the delivery of farm program benefits, the secu-

rity of producer information, and the integrity of taxpayer dollars by reducing the potential for erroneous payments. However, additional funding will be required in subsequent years to complete the stabilization and modernization efforts.

Farm Credit

USDA's farm credit programs provide an important safety net for farmers by providing a source of credit when they are temporarily unable to obtain credit from commercial sources. ARRA provided substantial assistance to address the tightening of credit in rural areas as a ripple effect of the Nation's overall credit crisis. Because the demand for credit is still high, the 2010 budget requests funding to support \$4.1 billion in direct and guaranteed farm loans, an increase of \$0.7 billion over the 2009 on-going level.

Crop Insurance

For the Risk Management Agency (RMA), the budget requests \$80 million, an increase of \$3 million over 2009. RMA manages the Federal crop insurance program in partnership with private sector insurance companies. This partnership has been very successful in increasing participation; however, potential instances of fraud and abuse within the crop insurance program continue to be identified. The President's budget includes an increase of \$1.8 million to provide RMA the resources necessary to address critical compliance needs identified by the Government Accountability Office, the Office of Inspector General, and others. This funding will help to improve the transparency of the crop insurance program and identify those producers, agents, and other program participants who would knowingly defraud the Government.

Conservation

The administration fully supports partnering with landowners to conserve land, protect wetlands, improve wildlife habitat, expand hunting and fishing opportunities, and promote other conservation initiatives. In this vein, the proposed budget includes several vital conservation programs, including the Conservation Reserve Program (CRP), Conservation Stewardship Program (CSP), the Environmental Quality Incentives Program (EQIP), and the Wetlands Reserve Program (WRP) that were authorized in the 2008 farm bill.

These programs provide a special opportunity to address not only the Nation's most serious natural resource needs but also to facilitate the administration's goals of increasing energy conservation, improving renewable energy production, and reducing carbon emissions. These programs have also been instrumental in establishing and maintaining USDA's unique partnership with land owners and operators that will be vital to our success in solving or mitigating these serious environmental and energy concerns through voluntary actions.

The 2010 budget reflects a continued commitment to conservation by including nearly \$4.7 billion in mandatory funding for those conservation programs authorized in the 2008 farm bill. This will support cumulative enrollment of more than 281 million acres in these programs, a 10 percent increase over 2009. CRP, which accounts for more than 41 percent of total funding for conservation programs, is funded at just under \$2 billion in 2010. This level of funding will support a cumulative enrollment level of 30.4 million acres. The budget proposes spending \$1.2 billion for EQIP, which will support enrollment of an additional 16.8 million acres through cost-share contracts.

Further, the Conservation Stewardship Program (CSP) and the Wetlands Reserve Program (WRP) are funded in the 2010 budget. This includes \$447 million for CSP that will be used to enroll 12.8 million additional acres, and \$391 million for WRP to enroll a projected 152,600 acres. While the projected WRP enrollment in 2010 is slightly below the 2009 level, it is considerably higher than enrollment levels in recent years including more than double the level enrolled in 2008.

The 2010 budget also includes \$907 million in discretionary funding for on-going conservation work that provides high quality technical assistance to farmers and ranchers and addresses the most serious natural resource concerns. This includes discretionary savings of \$75 million from the elimination of duplicative programs and programs that are not as high a priority of other programs, including the Resource Conservation and Development Program and the Watershed and Flood Prevention Operations Program.

Civil Rights

Ensuring equitable treatment of all of our employees and clients is a top priority for me. The 2010 budget includes increased resources to improve our efforts to ensure that all USDA employees and constituents are treated fairly. For too long, the Department has been known for prejudice and discrimination in its employment

practices and program delivery. Such practices will not be tolerated while I am Secretary of Agriculture. By holding each USDA employee accountable for their actions and through the implementation of my recently announced civil rights plan, we will strive to make the Department a model agency for respecting civil rights. In support of these efforts, the 2010 budget includes funding to address program and employment complaints of discrimination and to increase the participation of small, beginning, and socially disadvantaged producers in USDA programs.

Outreach to Underserved Constituents

Another key initiative is expansion of outreach to underserved constituents. The 2010 budget includes funding to support establishment of the Office of Advocacy and Outreach authorized in the 2008 farm bill. This office will increase the accessibility of programs to socially disadvantaged producers, small-scale producers, and beginning farmers and ranchers and will provide them an avenue for input into the programmatic and policy decisions to improve their viability and profitability.

The budget also provides the funding necessary to support enhanced government-to-government relations and improve Tribal consultation and outreach activities related to USDA programs. This will enhance USDA's understanding of the diverse needs of Indian Tribes and the impacts of programs on Tribal organizations and communities.

Department Management

In addition, the budget also supports efforts to improve the management and oversight of Departmental programs. Increased funding is being sought for management priorities, including:

- Instituting a Department-wide cyber security initiative to eliminate critical vulnerabilities that threaten the integrity of the USDA network and the security and privacy of Departmental systems and information. The budget includes an increase of \$45.8 million to ensure that USDA can reliably deliver its broad portfolio of programs in a secure IT environment.
- Providing oversight of program delivery by conducting audits and investigations and limiting fraud, waste, and abuse throughout USDA.
- To make USDA more open and its processes more transparent, the budget includes funding for enhanced communications capabilities; tools for improved public access to the appeals process; and additional oversight to improve USDA reporting to the public on programmatic spending.

Conclusion

We have begun the process of making tough decisions about where our priorities lie and have made some tough choices about where we spend our resources. These choices reflect the new direction the President wants to take the country at this historic time—a track that takes the Nation on the path to recovery and provides the foundation and diverse opportunities for farmers and ranchers to succeed.

That concludes my statement. I will be glad to answer questions you may have on our budget proposals.

Senator KOHL. Thank you, Mr. Secretary.

We will start our round of questioning with 5-minute events.

AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS

Mr. Secretary, the Economic Recovery Act included substantial resources for USDA, including \$11 billion for housing loans, \$3 billion for business loans and grants, \$3.75 billion for water and wastewater loans and grants, as well as other funds. We know this placed a huge burden on the Department to quickly identify and fund the good projects.

Do you foresee impediments to effectively utilizing all of the Recovery Act funds in a timely manner, and does this effort complicate the effective use of your annual appropriations?

Secretary VILSACK. Mr. Chairman, we appreciate the opportunity that the American Recovery and Reinvestment Act has given us to invest in appropriate investments across the wide spectrum that you have identified with your question.

Let me simply report to you and to the committee that we have been very aggressive in our efforts to implement the Recovery and Reinvestment Act. To date, USDA has provided 37,057 home loans, single family housing loans, which has allowed us to reduce a significant backlog. To date, with the recovery and reinvestment resources, we have provided 2,636 direct operating loans to farmers and ranchers in need.

At the same time, we have begun the implementation of the expanded Supplemental Nutrition Assistance Program benefits which has on average provided an additional \$80 a month for a family of four. For the benefit of the committee, these resources are expended by those families, 97 percent of them, within 30 days, and the reality is that for every \$5 we invest in that specific program, we get \$9.20 of economic activity. It is, indeed, a direct stimulus.

We have provided over \$615 million for safe drinking water and improved wastewater treatment facilities in rural communities in 34 States.

We have announced \$357 million in funding for Forest Service projects.

We have fully obligated the \$100 million that you all provided for the National School Lunch Program.

We have also obligated \$100 million for The Emergency Food Assistance Program. I was recently in Kentucky at a food bank. I cannot tell you how appreciative the food banks of this country are for the commitment that you have made. In that one facility alone, an additional 172,000 meals will be served as a result of the commitments and resources they received, and I am pleased to say that many of those meals will be high-protein meals with pork and poultry being two particular commodities that they were able to purchase.

We have awarded \$85 million—I think we have committed \$145 million for available watershed operations projects. We have awarded \$45 million for watershed rehabilitation programs to rehabilitate dams and critical public health and water quality issues.

And we have provided over \$60 million in funding for community facilities in 39 States, including a number of fire, police, and medical vehicles.

So we have rapidly implemented, as best we can, a substantial portion of the recovery and reinvestment proceeds.

To your question in terms of its impact, this has, obviously, placed some stress on our staff, but I would suggest it has probably placed a greater stress on the staff of OMB, which sometimes makes it difficult for us working with those hard-working folks at OMB to get all of the rules and regulations out for the many programs that the USDA has responsibility for. I am sure we will touch on a few of those by the time the questions are finished today.

Senator KOHL. Very good.

Senator Brownback.

Senator BROWNBACK. Thank you, Chairman.

NATIONAL BIO AND AGRO-DEFENSE FACILITY

A couple questions in some broad areas. One, I want to start off with, though, narrowly is the NBAF facility was recently an-

nounced in Manhattan, Kansas, the National Bio and Agro-Defense Facility. The physical plant is owned by Homeland Security. It is operated by USDA.

Do you know USDA's plans to transition it from Plum Island, as far as when the actual personnel will be moved to expand this expanded mission at NBAF?

Secretary VILSACK. Senator, I am not sure that we have a specific time table for transition. We are aware of the fact that this is an important step for us to take in terms of our homeland security and biosecurity.

This new facility will provide us expanded space. It will also provide us BSL-4 capabilities which we currently do not have.

We are working with the Department of Homeland Security, and we have identified with the Department of Homeland Security a variety of research opportunities at that facility once it gets in place. We are concerned, obviously, as I am sure you are, about foot and mouth disease, classical swine fever, African swine fever, Rift Valley fever, and a variety of other diseases. We will be working very closely with Homeland Security to get this transition done as quickly as we can because it is an important facility.

Senator BROWNBACK. Good.

HUMANITARIAN FOOD AID DOLLARS

I want to show a quick chart we had done up on food aid. The big area that I have got concern with in food aid—I have worked in this region for some period of time, worked with a number of experts on it, a very important program that we have. I think it is a critical diplomatic program. I think it is a critical humanitarian program. I think it is critical for us in making our new efforts on HIV/AIDS in Africa and malaria work because if we are going to treat people and they have got a poor diet, they do not do very well. They need a good diet to go along with it.

The troubling aspect of this chart is that we have increased funding substantially over the past 8 years and our tonnage has gone down dramatically in that same period of time. We are at a point now where roughly 65 percent of our food aid dollars go for two areas, administration and transportation. I am hopeful we start looking at ways that we can get people well fed and try to get that piece of it in a more controlled fashion, if possible.

I do not know if you are aware of this. These are GAO studies. This chart is from the GAO. They are very engaged on this. I know the chairman cares deeply about food aid. It has got to be done right, but a 65 percent number just seems way high to me on those two areas.

Do you have any comments?

Secretary VILSACK. Several. First and foremost, we recognize the important role that food aid plays in terms of America's role internationally, which is one of the reasons why we have suggested and proposed, as you know, an increase in the McGovern-Dole program. That has been a very successful program.

Senator BROWNBACK. It has broad bipartisan support. People like that one. It is good.

Secretary VILSACK. Broad bipartisan support and for good reason. We can assist over 4 million children in 19 countries. In fact,

it has been so successful that some countries have actually taken that model and adopted it for themselves and have actually moved away from a reliance on our program.

As you well know, there are certain restrictions and limitations in terms of how resources that we do provide in food aid are transported to countries. I would say that we are focused on a——

Senator BROWNBACK. Can I get right at that? My time has run out. I am not going at that. That is an old fight around these places, and I do not think we ought to engage that fight. I just think we have got to somehow get our pencils sharper on the amount that we are going at the administration and transportation number. But to go at that fight, I have been around this one too long, and it will not get us anywhere.

Secretary VILSACK. Well, I am not disagreeing with you. I am just pointing out that that is one of the explanations for the chart that you have placed up there.

Let me suggest a different way, Senator, if I might.

Senator BROWNBACK. Please.

Secretary VILSACK. Let me suggest that one way that we could perhaps move this process forward is to focus on how we might be able to use not just the food resources of this country but the knowledge and the technical assistance that this country can provide. I think that there is enormous opportunity, as I mentioned earlier in my opening statement, in Afghanistan and Pakistan to model an effort on the part of America to empower people to be more self-sufficient.

One of the problems is that most of the world farms on relatively small farms, and most of what we do in this country and most of the research that we do is focused on larger farms. I believe that we can provide technical assistance. I believe that we can focus our efforts on 1 to 2 hectare-sized farms and create an even more effective international effort to supplement what we are currently providing in the way of emergency food.

In order for there to be food security, not only do folks have to be able to grow the food, not only do they have to be able to trade and have an economy that will allow them to trade, but there is, obviously, a role for emergency food assistance.

So it is all three of those aspects. If you focus simply on one or two of the three, then you are not going to make the food available. Even if it is available, you also have to focus on creating the infrastructure, the roads, the transportation systems that allow it to get to people. And even if it is accessible to people, you also have to make sure that there is adequate information about how to properly utilize food.

So all three of these components have to be part of what USDA does and what the United States does relative to food security. It is, in my view, not just one. I think you have to do all three, and I think you have to focus on all aspects of this.

Senator BROWNBACK. Thank you.

Senator KOHL. Thank you very much, Senator Brownback.

Senator Pryor.

Senator PRYOR. Thank you, Mr. Chairman.

DIRECT FARM PAYMENTS LIMITATION CAP

Let me start, if I may, with another issue. As Senator Brownback alluded to on his issue, you know, we fight this fight sometimes around here. But I do want to get your thoughts on it, and that is the administration's proposal to phase out direct payments to farms that, I guess, have sales revenues above \$500,000. Could you talk a little bit about that please?

Secretary VILSACK. Senator, I think, first of all, I want to make it very clear that the administration, the President, myself, USDA understands and appreciates the important role that the safety net provides in rural America. That is the reason why we moved rapidly with the preceding administration and our administration to implement the farm bill rules as it relates to direct payments and counter-cyclical payments, why we have proposed the rules relating to ACRE and extended the sign-up for the ACRE program, and why we are currently working very hard and hopefully in the next 30 days to be able to put some of the livestock disaster payment rules out and to be in a position to have SURE, the disaster program, available in the fall.

It is also one of the reasons why we do support reform but understand the important role that crop insurance plays in creating that safety net. So there is a commitment to the safety net.

The proposal relates to a relatively small percent, 3 percent, of the farmers who essentially receive 30 percent of the benefits. There may be and there probably are better ways to do this, Senator, and we are happy to work with you.

We were challenged to focus on the priorities of increasing funding for child nutrition so we could end childhood hunger in this country and address the obesity issue at the same time. We were compelled, and I think appropriately so, to also take a look at the bottom line. We tried to respond to the priorities, made a proposal, but are certainly willing to work with you. If there is a better way to do this, we are certainly open to it.

Senator PRYOR. Well, I look forward to that. I think one of the things we should look at is the cost involved in producing the product and getting it out to the market because that varies widely depending on the product you are growing and also what region of the country you happen to be farming in. So I look forward to working with you on that. If we can do that fairly soon, that would be great.

POULTRY IMPORTS FROM CHINA

My second question deals with trade, specifically trade with China and even more specifically with poultry. There is an amendment that was attached to the fiscal year omnibus appropriation bill section 727. Are you familiar with that?

Secretary VILSACK. Yes, sir.

Senator PRYOR. What is your opinion on section 727? And I guess more specifically, it seems to me that—well, anyway, I would like to hear your opinion on that.

Secretary VILSACK. Well, I think it is fair to say that the opinion of USDA is that we are, obviously, very interested in a science-based and rule-based trading system. That is one of the reasons

why we have expressed concern recently on the H1N1 circumstance and some of the decisions that countries have made to ban pork products.

Having said that, we understand and appreciate the importance of concerns that are expressed in Congress and throughout the country about food safety relative to imported food. So what we are doing now is we are working with Members of Congress and a number of other folks to try to figure out precisely what the concerns are and see ways in which USDA can specifically respond to those concerns as quickly as possible so that whatever barriers exist can be removed and we can open up as much trade in all products as quickly as we possibly can.

The commitment to you and to this Congress and to this committee is to work as quickly as we can to figure out precisely what we can do better than we are currently doing, and I think, hopefully, we will, within the next several months, have a better, clearer understanding of precisely what we can do better. Once we know that, we are committed to making that happen.

Senator PRYOR. Great. That is music to my ears. I would love to be part of those discussions with you and try to figure out how we can proceed from here. My impression of section 727 is it ends up hurting American agriculture, specifically the poultry part of that. But we can talk about that more offline and have more discussions.

RESEARCH FUNDING AT LAND GRANT UNIVERSITIES

The last question I have for you is about the traditional land grant colleges and the research that is being done there. I believe it was Senator Brownback—I am sorry—Senator Bond—one of those two referred to that. Could you tell us about the funding there? There is a core element of that research. Then there are a lot of other things that get done. Could you tell us about your vision for how we should prioritize those research dollars?

Secretary VILSACK. Thank you for that question. And I certainly appreciated Senator Bond's comments, and I understand his concerns.

Let me simply say, alluding to the fact that we had a relatively short period of time to put this budget together, that I did not feel comfortable knowing fully and completely all aspects of the Department's activities. So what I decided to do was in hiring the Under Secretary for Research, Education, and Economics to challenge and to charge Dr. Shah, recently confirmed by the Senate, to take a look at all of our research activities to make sure that we properly prioritize, we properly fund, we properly understand the intersection of those research opportunities at USDA and at the land grant universities and the private sector so that we can make sure that we are spending and investing our resources as wisely as possible. Only then would I feel comfortable in terms of committing to a budget of additional resources or different resources directed in a different way.

I understand the importance of research. I clearly understand the importance of land grant universities. I worked at one before I came here. I worked on the Seed Center at Iowa State University, and I understand precisely the work that it does and that land grant universities throughout the country do.

I will tell you that in discussions with the Afghan and Pakistani minister, the one topic that came up repeatedly was the Extension Service, the important role that extension plays. They would like to be able to replicate that in their countries.

So I do understand it. I would just like to have the opportunity to better understand the details and the specifics and to be able to prioritize appropriately so that I could then be able to justify precisely what we are doing and why we are doing it.

Senator PRYOR. Thank you.

Thank you, Mr. Chairman.

Senator KOHL. Thank you very much, Senator Pryor.

Senator Cochran.

2008 FARM BILL PROVISIONS

Senator COCHRAN. Mr. Chairman, thank you. I find myself in agreement with the distinguished Senator from Arkansas about the possible implications with changes in the farm bill or administration actions with respect to implementing the farm bill that might make it more and more difficult for southern agriculture producers along the Mississippi River where traditionally the crops have been cotton and rice and, to some extent, soybeans and others, that they will likely suffer more than any other segment of agriculture if this administration's proposals are actually codified by the Congress.

So I just mention that. You know it already, but it is a serious concern. It could likely lead to support for cap and trade legislation. I never have understood exactly why we have that language to describe that legislation, but it is going to reduce prices paid to farmers. It is likely to increase input costs as well. I do not know who benefits from that except those who want major changes made in the farm bill.

We spent a year in hearings and working to try to develop a consensus for writing a new farm bill, and now to have this administration come in and immediately start attacking major provisions that were the objects of a lot of debate and a lot of difficulties in getting included in the bill set aside, I am concerned about that.

I hope that we will support the administration's efforts in developing more aggressive trade policies. We think that is a very important step in the right direction, and we encourage you to use the tools that Congress has placed in the farm bills in the past that have worked, and we hope you can be successful in increasing our share of world markets with the use of those provisions.

DIRECT FARM PAYMENTS LIMITATION CAP

Let me ask you if you could give us an update on the Department's farm bill implementation activities with respect to payment limitations.

Secretary VILSACK. Senator, the direct payment and counter-cyclical rules are out. The ACRE rules are out. The time period for sign-up is extended to August 14 to give folks the capacity to determine what is in their best interest. So those rules are out, and we are waiting for farmers across the country to make decisions which are important to their operations. Once those decisions are made, we will certainly honor them.

We are also in the process, this month, of working diligently with OMB to try to complete work on a number of the disaster provisions, particularly as it relates to livestock. We know the circumstances particularly in the upper Midwest and other parts of the country with reference to livestock and storms and the impact of floods. So we are working very hard to get those rules out so people understand how they can sign up.

SUPPLEMENTAL REVENUE ASSISTANCE PROGRAM

We also appreciate the SURE program, which was part of the 2008 farm bill, a new disaster program. It is a complex program to develop, made more so by the changes that were made to it as a result of the American Recovery and Reinvestment Act. It is also highly tied to the technology challenges that we have within the USDA. Operating with very antiquated technology and software, it sometimes becomes very cumbersome and time-consuming to write the software to implement these programs. But we believe we are on track to have SURE rules out, at least in some form, in the fall. Then we will have to collect data concerning losses and hopefully we will be in a position to respond with payments in the following year.

Senator COCHRAN. Thank you very much.

Senator KOHL. Thank you, Senator Cochran.

Senator Johnson.

NATIONAL ANIMAL IDENTIFICATION SYSTEM

Senator JOHNSON. Thank you, Secretary Vilsack, for conducting an animal ID listening session in South Dakota. Are there any parts of the current plan you are absolutely committed to moving forward?

Secretary VILSACK. Senator, this is, among many issues, a very contentious and difficult one. It not only creates different attitudes in different parts of the country, it creates different attitudes within the livestock family generally, poultry and pork having different views about it than cattle, and within the cattle industry, different views depending upon whether you graze on public lands or private lands or a combination.

We have not completed the listening sessions, and so the candid answer to your question is I have not made any specific decisions relative to the program and improvements to the program because I want to give everyone an opportunity to have input.

I will say that the reason why we are doing these listening sessions is because there has been concern expressed by some Members of Congress about whether or not the investment that is being made today by the Federal Government, now in excess of \$130 million, is money well spent. That concerns me from a market standpoint. A recent study suggested that one incident could cause the livestock industry as much as \$13 billion in losses. We know one head of cattle coming across the border from Canada caused us significant problems in our cattle which we still yet have to recover from in terms of our trading partners, and we also know that our trading partners are looking very closely at the safety and security systems that we have.

There have been a number of concerns that have been raised, which I am sensitive to. One is the cost. Two is the technology, whether or not the Government is going to address a specific technology or a range of technologies that could be used. Three, obviously, whether it is voluntary or mandatory. Four, who bears the cost? There is a significant difference between cattle, pork, and poultry in terms of the overall cost to the industry. And there are deep concerns about who gets the information, who uses it, how is it accessed, and whether the public through the media would have the capacity through the Freedom of Information Act to access information. All of those issues and I suspect a whole lot more have been identified, as we look for improvements, we are going to have to think creatively and innovatively about.

Senator JOHNSON. Could you provide me with a timeline on all this to take place and when your decisions will be made?

Secretary VILSACK. Well, we expect and anticipate that it will take another month to two to complete the listening sessions, and then, hopefully, not very long after that, we would be in a position to make some recommendations and suggestions to see what reaction we get.

The one thing I do not want to have happen is I do not want this Congress to lose confidence in the system, not provide funding, and then send I think what would be a very poor message to our trading partners and would, I think, negatively potentially affect our trading opportunities.

COUNTRY OF ORIGIN LABELING

Senator JOHNSON. Given your excellent dedication to the COOL program, how have you been working with the USTR to ensure COOL is implemented properly?

Secretary VILSACK. We have had very good conversations with Ambassador Kirk and his staff. We have had two face-to-face meetings between USDA staff and the Trade Representative's staff. I appreciate the working relationship that we have developed. Ambassador Kirk and I were friends before we had this opportunity in the administration, and we have built on that friendship.

We continue to provide information and resources concerning COOL to the Trade Representative so that there is a clear understanding and appreciation that we are committed to COOL. We are committed to following the intent of Congress, as you all have outlined it, that we do not think that what we have proposed or suggested or that what you all have passed is necessarily trade-distorting. We think it is within the guidelines provided by the WTO. We know that our trading partners may have disagreements about that.

Just one observation. A recent report suggested that livestock activities in Canada have been a bit more robust than they have been in this country, which would suggest that perhaps COOL is not having the impact or effect that some might believe.

We will continue to work with USTR, continue to work with our Canadian and Mexican friends to make sure that they fully understand what this is and more importantly what it is not.

DIRECT FARM PAYMENTS LIMITATION CAP

Senator JOHNSON. I have been an enthusiastic supporter of a cap on \$250,000 for a payment limitations cap. But I am concerned about the \$500,000 gross sales limit approach for direct payments also included in the budget. I want to point out that I am in favor of the \$250,000 cap, unlike some of my colleagues, but I am opposed to the sales revenue cap because it is a gross number and not net.

Secretary VILSACK. Well, Senator, in one respect I guess the USDA can be congratulated for developing such a strong bipartisan reaction to this idea. When I was Governor of Iowa, I often said that I would propose but the legislature would perfect, and I suspect that that strategy is in play here.

Senator JOHNSON. Where do you propose to have an offset for the change if we make it?

Secretary VILSACK. Well, Senator, we are pledged to working with you, with this committee, and with your counterparts in the House to make sure that this budget squares itself. We are committed to working with you. We were sure of one thing when we proposed this budget that you all would not just say, well, this is great, all in favor, say aye. You would have a lot to say about this budget. We are committed to working with you.

I think it is important for me to reemphasize the priorities that the President has and that I share. We think it is important for a multitude of reasons that we address aggressively child nutrition. We think it is important for a variety of reasons, not to mention national security and economic security, that we continue to invest in bioenergy and rural development. And we do believe that there are ways in which we can have a strong, adequate safety net, as perhaps you have suggested with the cap, that do not necessarily make it more difficult for people to survive. And we are committed to that set of priorities.

Senator JOHNSON. Thank you, Mr. Secretary.

Senator KOHL. Thank you very much, Senator Johnson.

Senator Bond.

Senator BOND. Thank you, Mr. Chairman.

Mr. Secretary, being a fellow former Governor, we have had a lot of experience on the legislative branch disposing of what we have proposed.

I appreciate your answers to my colleague from Arkansas on research. We want to work with you on that.

When you were speaking about Afghanistan, agriculture there, we have talked about the National Guard ag development teams, and we want to work it to the point where USDA is participating as security advances on that area because there is a tremendous opportunity.

CHILDHOOD OBESITY

I want to move into another area. In one of the answers to one of the questions, you mentioned the priority of dealing with obesity, and you also testified initially about serving very nutritious food. As you know, the SNAP program is getting a \$7.3 billion increase to over \$61 billion, and we are all aware that this extra investment

in taxpayer money can legally be used to buy sugar-sweetened drinks and empty-calorie food.

Now, I am concerned. Are we doing well by taxpayers but, most importantly, by the recipients of assistance and their families when we subsidize poor and unhealthy diets? It seems to me that there is an opportunity with the electronic benefits card and point-of-sale displays or information to make sure that more of the assistance that is received is used in the healthy pyramid food type purchases. What are your views on that?

Secretary VILSACK. Well, Senator, first of all, I want to acknowledge that you feel very strongly about this, and I appreciate the passion that you have about this. We have talked about it in your office and I know that you are committed to it.

Let me, first and foremost, say that food is an extraordinarily complicated set of issues. Until I got this job, I did not realize that there were over 300,000 food products sold in grocery stores around this country, and that over 12,000 new products were introduced in the last 10 or 15 years.

We have made a concerted effort to, one, work diligently to try to improve the food pyramid so that it reflects modern science; two, that we do a much better job of promoting through educational tools the need for more nutritious food. We have begun a process of working particularly focusing on young children and young families to assure that moms and dads are aware of the important responsibility they have in making choices for their children. We are committed to working with our schools to make sure that not only are the school lunches and school breakfasts more nutritious, but what is in our vending machines at schools reflects that same attitude. So we think we are aggressively pursuing an education effort, and we think that over time it will make a difference.

Senator BOND. But you are not willing to go down the road with me and cause a little bit of firestorm. I understand that.

AGROFORESTRY RESEARCH

In the time I have remaining, we have had an opportunity to discuss agroforestry which is done—I am sorry my colleague from Arkansas has left. The University of Missouri School of Agroforestry works with the Booneville Agroforestry. It is a regional approach to assisting agriculture and particularly small farmers in using plants and trees for environmental benefits, providing better income. We are developing new crops like, I might just mention, chestnuts for example, as a second source of income. I had a minimum amount of happiness when I understand that the money for Booneville had been proposed for rescission. I hope that you all will consider that.

But most importantly, I hope that we will have an opportunity to work with you and your staff with people who are interested here in Washington about the opportunities we have to do so many of the things you are talking about through agroforestry research.

Secretary VILSACK. Senator, we are excited about the opportunities that forests present. As I explained earlier in my opening statement, we see a new opportunity for us to link our forests with our private working lands with our urban centers so that there is

a full appreciation across the country of what trees and forests mean.

I know that there are concerns about specific proposals relative to things that you all designate and specify. Again, I think it is a reflection of the budget process. We will certainly work with folks, but please do not take from whatever we propose the belief that we do not understand and appreciate the importance of forests because we do. We are very excited about what we see as a new day for the U.S. Forest Service and NRCS and linking those two important components of USDA to all of America.

Senator BOND. Well, I thank you for that. We will look forward to working with you. I also appreciate your work and the discussions we have had on biotechnology, a complicated area. We will discuss that later.

Thank you, Mr. Chairman, and Mr. Secretary, thank you. We have got a lot of exciting and interesting things to work on.

Senator KOHL. Thank you very much, Senator Bond.

Senator Nelson.

Senator NELSON. Thank you very much, Mr. Chairman. Thank you for holding this hearing.

RECOVERY ACT BROADBAND PROGRAM

Mr. Secretary, welcome. Let me first say as both former Governors from rural States, neighboring States, we learned about the importance of communication extending out to the rural areas into farmsteads and to small schools, as well as to the major metropolitan areas.

As we set forth in the stimulus package for broadband deployment, it is my understanding that there may have been some slowdown, not necessarily intentionally, but as a result of trying to establish rules to move forward with the distribution of money to expand that broadband deployment. Knowing that the construction season is a little bit earlier for our States than it may be for some of the other States that do not enjoy the cold weather, is there anything that can be done to move the development of some of those rules along maybe a little bit more quickly?

Secretary VILSACK. Senator, we have been working very closely with Secretary Locke and his team at Commerce. We are confident that by the end of this month we will have an outline of rules and regulations relative to how folks might be able to qualify for the grants and loans under the broadband program that you all have put into the Recovery and Reinvestment Act, and we anticipate that the first set of resources will go out in probably one of three different deliveries in the fall of this year. So we are aggressively working to get that done. We appreciate the importance of distance learning, of telemedicine.

But I would also suggest to you that it is an extremely important strategy for rural development in terms of economic development. Small businesses currently that have a unique service or product are able to perhaps sell locally, but with broadband, they may be able to expand their market globally. This is part of the wealth creation strategy that we are trying to implement at USDA. So we are very cognizant. We are moving forward.

And I would say we are also moving in a streamlined way. We will not have separate applications. We will have a single application, single process. We will make it as easy as possible for folks to apply for these resources.

Senator NELSON. That is very encouraging because I was concerned where you have a couple of agencies trying to work together, that there might be some bifurcation as opposed to unification of the process. So that is extremely encouraging.

DIRECT FARM PAYMENTS LIMITATION CAP

The discussion earlier from my colleague from Arkansas, Senator Pryor, regarding the payment limitations issue—I am concerned that what has been proposed by the administration on two occasions, the \$500,000 direct payment limitation is not appropriate. I look forward to being able to work with you to design something more in line with what Senator Johnson and Senator Grassley and others have done in the past to try to limit the direct payments to large farm and ranching operations that just simply do not require the same kind of assistance from time to time or the same kind of a safety net that you would expect for smaller farms to be able to protect and keep agriculture from becoming all mega-farms. So I hope that we can look forward to working together on that.

Secretary VILSACK. You have my commitment to do that, Senator.

NATIONAL DROUGHT MITIGATION CENTER

Senator NELSON. The final question I have deals with water. The University of Nebraska in Lincoln has been established as the base for watching water management but also in predicting drought. The National Drought Mitigation Center provides a lot of background and data on drought, including what is now referred to as and cited as the drought monitor. One of the reasons that we focused on that and perhaps one of the reasons why it is housed in Nebraska is that now, according to the Ag Census of 2007 by your agency, Nebraska is the number one irrigating State based on acreage.

What we have determined is that you cannot, obviously, prevent drought. You cannot necessarily always predict drought. But the more data that you have on drought, the better you are able to predict and prevent against some of the most adverse consequences of drought, in other words, changing the mix of crops that are used or changing the approach to agriculture during a period of dryness.

I hope that the USDA sees this as a valuable tool for agriculture in those areas that are most directly affected by continuing dry periods. The old saying I think is true. When you are in the middle of a drought and it rains, the question is whether that is the end of the drought or the beginning of the next drought. So I am hopeful that there will be a lot of support for the efforts in the National Drought Mitigation Center.

Secretary VILSACK. Well, Senator, thank you for those comments. We are acutely aware of the growing concern about water generally and see that there are a number of different strategies that we need to focus on in addition to those that you have identified.

Just yesterday I had the opportunity to visit with the CEO of a seed company. They are, obviously, working very diligently on seed technology that might result in drought-resistant crops. That would certainly be helpful.

Interestingly enough, I would expect that we will learn, even more than we already know, about these issues in terms of our work overseas. In meeting with the Afghan and Pakistani agricultural ministers, one of the big concerns they have is water and proper irrigation techniques. So I think there are a wide variety of ways in which we need to address this holistically and comprehensively.

Senator NELSON. Thank you.

Thank you, Mr. Chairman.

Senator KOHL. Thank you so much, Senator Nelson.

Senator Bennett.

Senator BENNETT. Thank you, Mr. Chairman.

Mr. Secretary, welcome and thank you for your service, your willingness to put up with all of this, having been in charge for a while. Now you are discovering that nobody is in charge.

Secretary VILSACK. I thought you were, Senator.

Senator BENNETT. Sometimes we think we are.

RECOVERY ACT BROADBAND PROGRAM

Senator Nelson has covered most of the items that I wanted to cover with respect to broadband, and I am delighted that you are as committed as you are to pushing this forward. Let us just drill a little deeper into your methodology of trying to get the money out to the rural areas.

I understand that you are hiring 40 new people with respect to the expanded RUS program. Is this to replace a contractor? Is this in addition to the contractor? Will this help get money out faster? Just share with us the particulars of how that is all going to work.

Secretary VILSACK. Senator, as you know, USDA has been criticized in the past for the way in which it has handled some of these resources in rural communities. We are sensitive to those criticisms and want to respond to those criticisms and want to make sure when you all invest in us one more opportunity to promote broadband access in unserved rural areas that we actually deliver. So this is a decision on our part to try to make sure that we have sufficient outreach and sufficient information and sufficient evaluation to actually get the job done properly.

I would also say that you have given us parameters, suggesting that at least 75 percent of what we have available from the Recovery and Reinvestment Act needs to be focused on these unserved rural areas.

Senator BENNETT. Right.

Secretary VILSACK. And that is the intent. I come from a State, when I was Governor, where we made a really concerted effort to advance this technology without identifying which specific technology we would use. There are many options and it depends on what part of the country you are in. It depends on what has already been done. It depends on whether or not you are talking about funding the last mile, the middle mile, precisely what you are going to do. I think what you will see from us is a comprehensive approach. In some parts of the country, a middle mile is more

important for us to finance than the last mile. In some parts of the country, it may be that the last mile is most important. It may be that we work with private contractors. It may be that we work with cities and communities. It may be that we are working with an individual locality or a group of localities.

So there is no one-size-fits-all, and so you really have to have a lot of people working diligently to make sure that you are making the right set of decisions. We are going to work very hard to make that happen. We do not want to be subject to the same criticisms, appropriately so, that we have been in the past.

Senator BENNETT. Thank you.

COUNTRY OF ORIGIN LABELING

Let me switch to another issue that was raised by Senator Johnson, and that is COOL. I do not know of any one issue that has been more contentious in this subcommittee over the years than COOL. All right, you are moving forward. You are complying, et cetera. Do you have any ideas—or any data is a better way of putting it—as to whether or not the consumer is paying any attention? Is it really making any difference in the supermarket?

Secretary VILSACK. Senator, I do not know that we have specific data that I would be comfortable suggesting a specific response to your question. I do know that we are monitoring. We will probably likely monitor during the fiscal year approximately 5,000 locations to make a determination of compliance.

From a general proposition—this is not data-driven, but from a general proposition I think there is a growing appreciation in this country for wanting to know your farmer, wanting to know where your food is coming from, wanting to know more about your food. I think we are going to continue to see more of that. Especially as we focus on nutrition, especially as there is a health care debate in this country and prevention and wellness become critical components of that, I think you are going to see a rising awareness.

Senator BENNETT. I agree, but I do not think personally that location is going to make any difference to a customer as to what he or she will buy in the supermarket.

Secretary VILSACK. My only caveat to what would normally, I think, be an accurate observation on your part, I think price is obviously pretty significant.

Senator BENNETT. Yes.

Secretary VILSACK. We had a program called Taste of Iowa when I was Governor, and people kind of liked the idea of purchasing food that was produced in Iowa. I will tell you I found it interesting that Lay's potato chips has decided to specifically identify the State in which the potato is coming from so that you can actually buy Georgia Lay's potato chips if you are of a mind to buy Georgia Lay's potato chips or Idaho. So they are giving consumer choice. They must be doing it because their marketing advice—

Senator BENNETT. That I agree with. I have always been in favor of voluntary COOL. It is the required Federal label that I have always doubted. If I can just share this with you, the one experience we have had before in this country has been the drive by the United Auto Workers to make sure that North American content would be listed on every car, and there was a great fight about that

in the Congress for a long time. Finally, the union won, and then a few years later, people went back and started asking customers if they paid any attention to it. The vast majority of customers said, no, we didn't notice. But there was a small group who said, yes, we read the label very carefully, and if there is a high Japanese or German content, we are more likely to buy the car. So that did not necessarily work in the way that the sponsors of the legislation had in mind.

Thank you, Mr. Chairman.

Senator KOHL. Thank you, Senator Bennett.

Senator Reed.

Senator REED. Thank you very much, Mr. Chairman.

RECOVERY ACT WATERSHED PROJECTS IN RHODE ISLAND

Mr. Secretary, thank you not only for being here, but this week you approved a commitment under the Recovery Act for four flood plain projects in Rhode Island, and we really appreciate it. It will not only get people to work, but it is critical to the homes along the Pawcatuck River, part of this watershed. At this moment, the Natural Resources Conservation Service is completing their overall watershed plan, and it should be before you very quickly. I would ask for your expeditious and, in the same spirit that you used this week, approval of the plan. Thank you very much.

Secretary VILSACK. Yes, Senator.

Senator REED. It is more of a thank you than anything else.

Secretary VILSACK. I made a note of that.

Senator REED. If it's the first one today, then——

Secretary VILSACK. I am sure it is not. It better not be.

Senator REED. It better not be.

WILDLIFE HABITAT INCENTIVES PROGRAM

There is one program that has been very useful to my State. It is the Wildlife Habitat Incentives Program, the WHIP program, and it has been significantly reduced in the budget. It is about a 50 percent cut. I recognize you have to make very difficult decisions.

But the other aspect of this is that through changes in the last agricultural bill and through limited funding, it has posed real practical problems to use in Rhode Island. We have been very successful in removing old dams that are part of our industrial history. The whole Industrial Revolution began up in Rhode Island with the Slater Mill. But taking those dams out allows the fish to begin to propagate again. We have done it generally through partnerships with the State and not-for-profits. Also, it has been made possible because the NRCS has been able to put up-front cost in place.

The changes in the legislation, the cap on annual contract payments, that limit their ability to put money up front and also restricting sort of who can participate with them is a problem. I understand this is an issue that is both an authorization and appropriations issue. But I wondered if you could give some thought to ways in which other programs might be available, other methods might be used to continue to help us in Rhode Island to restore these riverways and restore fish to the riverways.

Secretary VILSACK. Senator, that is a challenge that we will take up. If I might, I think it is necessary for me to respond to where we are headed in terms of conservation.

The overall budget relative to conservation, at least from our perspective, will result in a total of \$4.7 billion being committed in a variety of programs, both in technical and financial assistance. This is a \$374 million increase over the 2009 level and a \$744 million increase over 2008.

What we attempted to do—and we have asked, I guess, some understanding on the part of this committee and the Congress—was to try to match up as best we could the resources in individual programs with what we see as the historical need and desire for those programs, together with the fact that with the new program, the Conservation Stewardship Program, we have some things to learn about how best to implement, how complicated or easy it will become. So we made our best-guess estimate on a relatively short time frame about how best to do this.

But there is no question there is a commitment to private working lands. There is no question there is a commitment to trying to figure out how to help landowners, property owners protect their land. There is no question that we understand the significant role that these programs can play in providing that protection, and we are committed to it. As I said earlier, what we hope to be able to do is to integrate it with what we are doing with the Forest Service in other parts of the country to preserve water, both quality and quantity of water. So we are committed.

Let me also say that I have not had an opportunity yet to institute this, but we have just begun starting a process of taking a look at how we make decisions and whether or not there are ways in which we can streamline, reduce the steps necessary in making decisions without reducing the appropriateness or the correctness of the decision we make. I cannot tell you that that is going to be done tomorrow, but I can tell you that it will be done, and hopefully some of these programs will be easier to administer and easier to understand than they have been.

Senator REED. Well, thank you, Mr. Secretary. Just a quick point. You have a national mandate, and some of these programs are particularly useful in some parts of the country and we found this with the WHIP program because we are trying to really reverse hundreds of years of industrial use along our rivers, and that is not the same challenge in many parts of the country. So any help you could give along these lines, we would appreciate. Thank you, Mr. Secretary.

Thank you, Mr. Chairman.

Senator KOHL. Thank you, Senator Reed.

Senator Harkin.

Senator HARKIN. Mr. Chairman, thank you very much and, Ranking Member Brownback, thank you for your great stewardship of this committee and also for having this hearing today.

I am sorry I am late, Mr. Secretary, but I was chairing a hearing on the authorizing committee on derivatives. And we had Mr. Gensler, the new head of the Commodity Futures Trading Commission, and it went on for a long time. So I apologize for being a little bit late.

STATEMENT OF SENATOR TOM HARKIN

Mr. Chairman I hope, that you and other members of the committee are now getting to know the Tom Vilsack that those of us in Iowa have known for a long time, a very dynamic, smart, and progressive leader who is not afraid of change. As government and a State Senator he has shown that he has the requisite managerial expertise to guide and direct change for very positive ends and I am certain he will continue that as secretary of agriculture.

Three areas in which I note that you have been such a great leader on just since you have taken over down there, Mr. Secretary, are your great leadership, on renewable energy, which trails what you did as Governor of Iowa; your leadership, of course, on nutrition and looking ahead on that. We have to reauthorize our child nutrition bill this year, and we look for your and Deputy Secretary Merrigan's help and input on getting that through.

I do want to commend you and the President for putting that extra billion dollars a year in the President's budget request for child nutrition programs. This funding is vitally important. It is my belief that we need to get better food for our kids in schools, such as fresh fruits and vegetables, and meats. Well, those may cost a little more money, but if we really want our kids to eat well, we are going to have to provide the needed funding. So I am really glad that you have put in your budget an extra billion dollars a year for child nutrition programs.

Secretary Vilsack, I would also like to mention your leadership in conservation and I civil rights since being confirmed you have taken the bull by the horns on civil rights, and I congratulate you for that and ask that you do not let up in addressing civil rights concerns at the department.

PREPARED STATEMENT

I want to thank you and Deputy Secretary Merrigan both for your great leadership at the Department.

Mr. Chairman, I ask that my full statement be made a part of the record.

Senator KOHL. We will do that.

[The statement follows:]

PREPARED STATEMENT OF SENATOR TOM HARKIN

Thank you, Chairman Kohl and Ranking Member Brownback, for holding this timely hearing on the President's fiscal year 2010 budget proposal for the U.S Department of Agriculture.

I welcome Secretary Vilsack back to the subcommittee. I have always known that he is deeply committed to farm families, rural economic development, and strong Federal nutrition programs. But, in his first months in office, he has really been a breath of fresh air here in Washington. Secretary Vilsack has charted an ambitious, reform agenda for the Department. And I look forward to continuing to support him in every way I can.

As we all know, our economy continues to face extraordinary challenges. The downturn has taken its toll on farm country, and it is also placing an enormous strain on our Federal nutrition programs. But farmers and ranchers are a great strength of this economy. And I am confident that they will help lead the way to recovery.

The President's fiscal year 2010 budget proposal for USDA builds on investments made by the 2008 farm bill, the fiscal year 2009 Omnibus Appropriations bill, and American Recovery and Reinvestment Act of 2009. Together, these bills are putting people to work, supporting our agricultural producers, and spurring rural economic

development. I appreciate that the President's budget proposal is the product of tough choices during difficult times.

Mr. Secretary, you and I share President Obama's vision of transforming America's energy future by vastly expanding our reliance on domestically produced, renewable energy. I was pleased to see that the President's budget builds strongly on investments made USDA energy programs in the 2008 farm bill. The President's budget request, along with mandatory funding provided in the farm bill, will accelerate the development and commercialization of advanced biofuels and other forms of alternative energy.

In addition, I enthusiastically welcome the President's request for \$1 billion annually in new funding for Federal child nutrition programs, including the School Lunch and Breakfast Programs, the Summer Food Service Program, and the Child and Adult Care Food Program. These are enormously effective programs, but they are under great strain, right now, because of the recession.

We need more aggressive efforts to ensure that all eligible children are receiving the benefits to which they are entitled under the law. This is especially important as we seek to make good on President Obama's commitment to end childhood hunger in America by 2015.

I commend the administration for giving strong priority to child nutrition programs in the proposed budget. As a member of this subcommittee and as Chairman of the Senate Committee on Agriculture, Nutrition, and Forestry, I look forward to working with the Secretary to pass a strong, reform-minded reauthorization of our child nutrition programs.

On a less positive note, I am very disappointed with the amount allocated in the President's budget for conservation programs. The 2008 farm bill—which passed by overwhelming bipartisan margins in Congress less than a year ago—authorized significant new investments to promote conservation and sustainable use of our natural resources.

I worked hard to include a robust conservation title. In my view, these programs are now more important than ever, especially as we work to address significant environmental concerns like climate change, nutrient runoff, loss of wildlife habitat and biodiversity, and loss of critical wetlands.

I hope that the Chairman and Ranking Member, along with other members of this subcommittee, will work with me to maintain the investments provided in the farm bill for conservation programs.

Again, I thank the Chairman and Ranking Member for holding this hearing. And I look forward to the Secretary's testimony. Thank you.

Senator HARKIN. I have a few questions I will submit in writing, but do have a question I would like to ask you.

WRP 2008 FARM BILL PROGRAM

During the last farm bill we fought very hard for conservation funding. This was a long, drawn-out negotiation both in the Senate and then in conference. We reached compromises. As I have often said, the farm bill was not exactly the bill that I would have written, and I think everybody on the Senate and House Agriculture Committee's would say the same thing. Everybody had to make compromises.

But, in the end we were able to keep a very strong conservation title in the 2008 farm bill. I am a little concerned, I must note for the record, about the proposed cutbacks in the WRP program and the EQIP program in the budget proposal. As far as I have been able to discern, there has been no reduction in the requests for assistance under programs like WRP or EQIP. Again, with increasing demand for food, feed and now moving more toward renewable energy and using land for that purpose, it may well entail more intensive cropping and demands on resources and we are going to need more conservation practices on the land.

I am glad to see that you have kept the mandatory funding levels for other programs like the CRP and CSP. But, I am concerned

about the WRP. Can you just give me some idea of why that funding was cut back?

Secretary VILSACK. Senator, first of all, I am keenly aware of your personal commitment to conservation and the work that you did not just on the 2008 farm bill, but also the 2002 farm bill to really introduce this topic of conservation in a meaningful way and creating private working lands conservation concepts in the farm bill. We are certainly supportive.

This may not be an acceptable response to your question, but it is the response that I must give, and that is, we have overall increased the spending levels over what we spent last year and the year before in conservation generally.

Senator HARKIN. That is true.

Secretary VILSACK. And we have tried in many of the programs to match the amount of money that we are asking for with the amount of work that we, in fact, have been able to do. In other words, even though you may have authorized a substantially greater amount, the capacity of USDA in some of these programs is limited by the number of people we have that are processing these applications, making sure that they are processed accurately.

In response to Senator Reed's question, I have not had an opportunity yet to really focus in on the process that we are using to determine whether or not it can be streamlined and maybe as a result, we can actually process more with the same number of people and maybe do a better job in the future of meeting those authorized limits as opposed to what we are currently proposing.

But the reason we are proposing what we are proposing is we think it is a realistic in many cases—in some cases it is actually an increase over what we spent last year. We think it is a realistic target in terms of our capacity to actually process the work.

Senator HARKIN. Thank you.

Secretary VILSACK. I do know this. I know that folks are working hard over there at NRCS and all the other agencies of USDA, but my guess is that there are probably some things we could do from a streamlined process. Senator Brownback suggested in rural development the need to integrate programs, and I think he may have a good point. There may be process integration that could take place as well. I just have not had a chance to get to that yet.

Senator HARKIN. I appreciate that. I support streamlining that could be done over there.

Mr. Chairman is my time expired?

Senator KOHL. Go ahead.

Senator HARKIN. Thanks, Mr. Chairman.

RECOVERY ACT BUSINESS AND INDUSTRY LOANS

The Recovery Act money for the business and industry loans program. Would you tell me the status of obligating this funding? It has to be obligated by September of next year.

Secretary VILSACK. Senator, I think we have done a reasonably good job of getting a significant amount of the Recovery and Reinvestment Act money out. We were fortunate because in most cases you were funding existing programs and we could work through the existing structure.

There is a funnel that is created, as you well know, between the vast number of people at USDA that are working on proposals that ultimately have to be approved by OMB, and that funnels into a relatively small hardworking outfit over at OMB.

We have put a priority on some of these programs because we think it would create the biggest bang for the buck and the quickest bang for the buck. The B&I piece of this we are working on. We have proposals at OMB I believe, that will allow us to proceed forward with those programs in the very near future, but the vast majority of the rest of the money has actually been obligated or is out the door or is in the process of very quickly being obligated.

I am pleased with what we have done in terms of 37,000 home loans. I am pleased with what we have done in terms of all of the direct operating loans that have been obligated. I am pleased that most of the watershed rehabilitation money has been allocated and the watershed easements have been allocated. I am pleased that we were able to get the SNAP money out and the administrative money to the States and the emergency funding and the school lunch monies out to the States. So we have been working pretty hard. B&I comes next, and I am anticipating that will be very, very soon.

Senator HARKIN. Very good.

Thank you very much, Mr. Chairman.

Senator KOHL. Thanks a lot, Senator Harkin.

Senator SPECTER.

Senator SPECTER. Thank you, Mr. Chairman.

Mr. Secretary, I join my colleagues in welcoming you here, and thank you for taking on this tough job.

PHILADELPHIA SCHOOL LUNCH PROGRAM

A couple of subjects that I would like to discuss with you in the short time allotted here. Milk prices.

I begin with the Philadelphia school lunch program, which I see you nodding in the affirmative on familiarity because there has been a very strong push by many Members on both the House and Senate side on this very important program which feeds children at 204 schools. In a big city like Philadelphia, that is a very difficult situation, a lot of single-parent families, a lot of working mothers, in the economic crunch we are in at the present time, very little income to buy the necessities of life. Where we have seen so many situations where children go to school hungry, no breakfast and no lunch, the educational opportunities are very limited.

That kind of a district has been the recipient of a lot of attention over the years, attention on a program called Gear Up, especially attuned to at-risk young people, extensive job training programs, a very, very difficult situation, mentoring, where you find a tremendous movement from truancy to juvenile delinquency to crime, extraordinarily difficult. And this lunch program is really an indispensable building block on what I have seen as a city official and as a Senator.

There is concern about at least waiting until the nutrition authorization bill comes up, consideration on adding an amendment to the Agriculture appropriations bill. But is there not some way

to extend this program to relieve a lot of angst that is gripping now parents and children in this very large, very difficult city population?

Secretary VILSACK. Well, Senator, first of all, I certainly appreciate your advocacy for this program. It has been steadfast and it has been passionate. I know that it is a very important program to the city of Philadelphia.

As you know, the Bush administration made the decision before I came into office, before President Obama came into office—

Senator SPECTER. We corrected all that. We thought we did. Or somebody did if not I personally. In fact, now that I think about it, I think I had something to do with it.

Secretary VILSACK. This program has been extended a couple of times. But in December 2008, the school district was notified of the intention to discontinue the program. We recognized that an abrupt discontinuation of the program was not an appropriate way for us to respond to the moral challenge that you have outlined to these families. And we have been searching for a way in which we can not only continue to do what needs to be done in Philadelphia, but make sure that every inner city, every major city, the children of every working family or poor family that has the same kinds of circumstances get an opportunity to be well fed. I want to assure you that that is an absolute commitment of this USDA, of this President. He wants to end childhood hunger by 2015. He is committed to it. We are committed to it. I know you are.

We are anxious to work with you to figure out ways in which that program can be a model, a pathway to a national effort that enables all of the children similarly situated to have the benefit of decent meals. So whether it is in the Reauthorization Act or after the Reauthorization Act, we are happy to work with you on that. We make that commitment today to work with you.

Senator SPECTER. Are you saying, in effect, that there is some real optimism about our ability to have this program continued?

Secretary VILSACK. I think what I would like to be able to say, Senator, is that I would like to see it rolled into a program that essentially extends those kinds of opportunities all over the country, including Philadelphia, not necessarily only Philadelphia, but including Philadelphia. We think that we have learned a lot from this program, and the question is can we figure out how to take what we have learned in Philadelphia and make sure that it is available to cities all across the country.

Senator SPECTER. Well, if you are talking about rolling the Philadelphia program into a broader program, that is terrific. I think there ought to be a broader program, and my focus, obviously, necessarily is on Philadelphia. But if you think it can be rolled into a broader program, that would be satisfactory.

Secretary VILSACK. That is what we hope. I mean, I am from Pittsburgh, Senator, so we want to make sure the rest—

Senator SPECTER. I am equally concerned about Pittsburgh.

And also, Secretary/Governor, about Iowa, and about children all across the country.

Secretary VILSACK. As I am as well, Senator.

LOW MILK PRICES

Senator SPECTER. My time has expired and I will not ask another question to take more time of the subcommittee, but we will submit in writing the concerns I have about the reduction in milk prices, some 36 percent lower from January to April of this year compared to last year. We will ask you about what might be done under the MILC program or under the Dairy Export Incentive Program because the farmers of my State and I think the farmers across the country are in very bad shape.

Secretary VILSACK. If the chairman would allow me 30 seconds to respond to—

Senator SPECTER. You are not restricted on time. It is only Senators who are restricted on time. The red light does not go on for you.

Secretary VILSACK. I just simply want to reassure you that we are very concerned about the dairy situation, which is why we have got the MILC payments out. We anticipate that by the time it is all said and done—I want to make sure I get this number right—almost \$900 million will be paid, we suspect, through the MILC program.

We have also given instructions to our farm service agencies to work with our dairy producers to enable them to restructure, refinance, reexamine their lending so that they are not put in a difficult situation because of these low milk prices. We know that they are looking very carefully and closely at how they can help.

We also recently utilized the DEIP program making sure that it was WTO-compliant but that we exercised support for exports as well.

So we have taken a number of steps in the last couple of months, Senator, to respond because of your advocacy and Senator Casey's advocacy and, Senator Kohl, your advocacy in particular and those from California. We have been listening and we have been trying to respond as best we can.

Senator SPECTER. That is very encouraging. Thank you very much, Mr. Secretary.

Thank you, Mr. Chairman.

Senator KOHL. Thank you very much, Senator Specter.

GLOBAL FOOD SECURITY

Mr. Secretary, as you know, global food security is one of the most important issues in this subcommittee, and we discussed a number of ways to improve agricultural systems in developing countries in order to improve stability and to also fight world hunger. How is USDA involved in this effort, and what more can you do to improve food security around the world?

Secretary VILSACK. Senator, I would say a couple of things.

First of all, we think this is an opportunity for us to expand the McGovern-Dole program. As I said earlier, this is a program that has been enormously successful. We have suggested an increase to \$200 million. That will allow us to expand the program to four African nations, helping about 400,000 additional children. We are pleased with the fact, again as I said, a number of countries have been so impressed with the appropriateness of helping feed chil-

dren and the connection that that has had with youngsters' ability to be educated, that they themselves have taken up that responsibility.

We also believe that we need to integrate our efforts with the State Department, with USAID, and to develop an overarching philosophy that is focused on the three principles of food security, which is availability, providing technical assistance and help so that countries can raise what they can raise and do it in the most productive way possible, assisting those countries in utilizing trade to supplement what they cannot raise and providing appropriate emergency food assistance when that becomes necessary. That is one component.

The second component is accessibility, the ability to get food from where it is being grown to where it is needed. That involves infrastructure, and we are specifically, as it relates to Afghanistan and Pakistan, hopeful that we can work with those two countries to substantially increase the infrastructure, to substantially increase productivity, to deal with water issues, to create assistance with regulatory structures and frameworks so that they can enhance their trade opportunities as a model, and then finally utilization, the capacity to properly refrigerate, properly handle, properly utilize the food that is available and is accessible. All of those components have to be part of our overall program.

USDA is prepared from technical assistance from the research component, from APHIS, from the regulatory assistance that we can provide and from the fellowships that are funded through USDA, the Borlaug Fellowships, the Cochran Fellowships, and the land grant university exchanges that take place. All of that is part of an overarching program that we are instituting with Afghanistan and Pakistan and we hope to be able to extend it to sub-Saharan Africa. We think if we can do this and we have the resources to do it, we can, I think, profoundly impact this food insecurity issue that challenges the world.

And then finally, we discussed earlier today water. That is a very critical issue, and I think we can help provide resources in terms of technical assistance of how to utilize water.

The research that is being done today for the most part is focused in this country on large farms, but the reality is that the vast majority of farms worldwide are very small farms. So it may not take a lot of technical assistance. It may be fairly rudimentary to provide drip irrigation systems that might be very inexpensive.

We just need to figure out strategies to help these farmers be more productive, to help them to be able to access trade opportunities, and help them to be able to be self-sufficient, and when and if it becomes necessary, we need to be prepared to provide emergency assistance and maybe in a more efficient, more effective way as was outlined earlier today.

Senator KOHL. Very good.

RURAL COMMUNITY FORUMS

You have held several rural community forums across the country. I understand you may be holding more. What kinds of things have you been discovering? What kind of information have you been gathering?

Secretary VILSACK. Well, it somewhat depends on the area of the country, but I think that there is a real strong desire on the part of rural America to participate in helping reduce our dependence and our addiction to foreign oil. I think there is a belief that whether it is biomass or whether it is corn-based ethanol or whether it is new alternative feedstocks, there is a real desire for America to be producing its own energy.

And there is concern, as you well know—and Senator Brownback, I am sure you know as well—about the existing infrastructure for the ethanol industry and the biofuel industry. So we are working with our credit friends, Farm Credit and others, to try to figure out strategies and ways in which we can make resources available or restructure the resources we have so that we maintain that infrastructure.

Then the President has provided a directive to us to accelerate the implementation of the energy provisions of the farm bill. We intend to meet the deadline he has set for us. So very, very shortly you will see proposals relative to second-and third-generation feedstocks, resources for new biorefineries, resources to convert existing biorefineries, to use these new feedstocks, and assistance for producers to produce these new feedstocks. That is one thing that we are hearing.

Then the dairy issue we have discussed is a serious issue, and we have tried to outline the fact that we have taken steps. Pork producers are feeling stress. Part of our challenge is that we have tools to respond to situations like this, but to a certain extent, because of decisions that are made to direct section 32 resources, sometimes our capacity to respond in as large a way as necessary is a bit compromised. So we are trying to figure out ways in which we can encourage, for example, institutional buyers to focus on purchasing pork to take some of the pressure off that industry, and we are obviously working hard on trying to reduce trade barriers.

I think there is a genuine concern in rural communities. They are anxious to know that the Recovery and Reinvestment Act relates to them. When they hear a water treatment facility being funded in their town or they hear a health care facility being expanded or equipped because of resources or they hear that the river that has flooded every year is not going to flood or that they are going to receive some relief from that because of what USDA has done, they are appreciative.

And then we have made an effort to make sure that they not only know the resources that are provided from USDA, but they have a sense of all the other resources that are being provided from other departments of Government. I think that is a reassuring message.

Senator KOHL. Very good.

Senator Brownback.

Senator BROWNBACK. Thank you very much.

THE NEW HOMESTEAD ACT

Mr. Secretary, a couple things. You started off talking about wealth creation on a regional approach which perked my ears up that we need to do that in rural areas, and we certainly do. We are losing a lot of population in rural areas.

May I suggest you or your staff take a look at a bill several of us put together and have for a series of years called the New Homestead Act? Senator Dorgan, previously Senator—well, several from the Midwest, myself have put this forward as a way to try to get more investment and growth taking place in rural areas. We worked at it a long time. We modeled it after what was done in this country in the 1970s to get the urban areas to go again. And we put in a series of tax incentives in particular that just applied to rural areas in counties that had lost population over the last 20 years. So you are trying to target just those areas that have lost population. I think Iowa had half of its State, as half of mine, qualify in that. Then you have got a whole swath. We took things that had worked previously in the urban areas to get regeneration taking place that we think would work in the rural ones. I would hope you would take a look at that. We put a fair amount of time in it.

I want to show you a bag, if I could. We did not fill it, but I am sure, if you have not seen one of these, you are going to see a bunch of these.

Secretary VILSACK. I have one in my office.

Senator BROWNBACK. Good. So you are well aware of this. I love these. I see them around the world. I love the American flag on it. I love the partnership on it. So that piece of it I like.

CORN-SOY BLEND

The point I wanted to make is it is a corn-soy blend. Great. All for corn-soy. But this formulation has not been changed in 30 years. That was when we developed the corn-soy blend for food aid, 30 years ago, and we have not changed what we are shipping in 30 years.

Now, the reason I make that point is that they polled a series of Nobel laureates and said, if you were going to put money anywhere in the world to improve the status of humanity, what would you do? And the top one and third thing were both micronutrients that they said. Cheap, effective. If you took that corn-soy blend and you added proper levels of iodine, zinc, vitamin A, and iron into it for children at the right age, you would have dramatic impact. It is not heavy to do that, but it does require some reformulation of it to do.

Tufts University is doing a study right now—maybe you know about this—on its reformulation. And I am looking at this and going, this is cheap for us to be able to do. We dramatically improve lives and we use that adjacent to what we are doing on AIDS and malaria in Africa particularly, and our outcomes get dramatically better. It is simple and it is cheap. So I would hope you could look at this Tufts study in this area just of micronutrients.

Now, you have got to fund it all. That is the trick for everybody. One of the things we are looking at is to say, okay, if we are spending 65 percent right now on administration and transportation for our food aid, what if we could put a hard level that we cannot spend anymore than 45 percent for administration and transportation? That is pretty generous right there. You are going to spend nearly half your budget just to administer and get it there. And then use your delta difference to get the micronutrients in this and

to target it so you do not have new funds having to go into it, but you dramatically improve your outcomes with it.

We are researching that. I would love to work with you on it. You have far more resources to do this than we would. I think the resources are there if we sharpen our pencil on those two areas and then look at what we can do in this field.

I wish you godspeed there at Ag, Secretary. That is a great spot, and I am sure you will do a great job at it.

Senator KOHL. Thank you, Senator Brownback.

WIC FUNDING

Mr. Secretary, would you talk about WIC? Do you think we are adequately funded for this year? Are you worried about having to come back for more? What do you see for WIC?

Secretary VILSACK. Senator, we have made our best estimates in terms of what we have proposed, and I believe we also have some contingency language in the WIC program. We believe 9.8 million participants is a very good, healthy estimate of what the program will be, and I believe we have provided resources and funding for that level. This is, obviously, a very important program and one that we are fully supportive of and one that is consistent with the President's desire to assist in ending childhood hunger. So we are committed to it, as we are with the SNAP program and as we are with the Child Nutrition Reauthorization efforts that will be undertaken this year.

Senator KOHL. Very good.

RENEWABLE ENERGY PROGRAM DIRECTION

Would you amplify a little bit your vision of USDA's role in terms of the administration's renewable energy program in years to come?

Secretary VILSACK. I would be happy to, and it really dovetails a little bit with what Senator Brownback was talking about earlier in terms of rural development and regional development.

The administration, first and foremost, is committed to an expansion of the biofuels industry. The President established a working group recently directing myself, Secretary Chu and Administrator Jackson to figure out strategies for expanded marketing of biofuels. We are in the process of having staff meet to try to figure out ways in which that can be done.

As I said earlier, first and foremost, we have to maintain the infrastructure that we have. That is a challenge with the current credit circumstances of some of those entities.

Second, I think we have to continue to—and we will continue—invest in research that allows us to be more efficient with ethanol and soy diesel and biodiesel and biofuels that we are currently producing both in terms of the energy that is used and in terms of the natural resources that are required, specifically water. There is a lot of interesting, exciting research and activity being done to reduce the amount of energy and to reduce the natural resources in producing those fuels.

The third thing is to continue to promote—and we will, as I indicated earlier—with the energy title of the farm bill, all aspects of the energy title of the farm bill identifying second- and third-gen-

eration feedstocks. There are interesting efforts and demonstration projects underway using corn stover, the corn cob, the husks of corn. There are interesting opportunities potentially with grasses.

There clearly is an effort in woody biomass. We are trying to link that effort up with opportunities with the Department of the Interior and Agriculture as we try to maintain our forests in an appropriate way and reduce the hazardous fuel that currently exists in our forests, to reduce the intensity of fires. All of that can create an opportunity for us, and there are some resources, you well know, to create demonstration projects in that area. We will aggressively pursue that.

We are working hard, once the rules are out, to put resources to work creating new biorefineries. We have already at least announced one grant, a joint grant between ourselves and the Department of Energy, to accelerate research, but we are also providing resources to build new biorefineries. We are trying to identify biorefineries that want to convert their production process. We are able, because of the money that you all put in the farm bill, to be able to assist them in making that conversion.

We are looking for farmers who are obviously interested in helping us produce the feedstocks of the future and provide resources and assistance for them to do so.

We are also working with communities trying to identify communities that will want to convert to using woody biomass to produce some of their power.

That is part of the strategy that wraps around the whole notion of renewable fuel and energy which we think is a growth opportunity for rural America. Whether it is wind or solar, hydro, geothermal, we think that there are enormous opportunities in rural communities if we are strategic and if we are smart about the transmission challenges that renewable energy presents.

We are currently thinking about and working on how you would distribute biofuels, whether it is through the current system or through a pipeline system. I know that there are some Members of Congress who are interested in looking at the possibility of a pipeline that would make it easier to transport biofuels that are produced from, say, the Midwest to other parts of the country or from other parts of the country to the Midwest.

We are working on strategies to make sure that once we produce the biofuel, that it can be adequately marketed. So many stations today do not have adequate pumping or tank infrastructure. So there are opportunities, I think, for us to respond. We are looking at ways in which we can use our rural development resources to enhance gas stations, convenience stores to be better equipped to handle ethanol.

We are also continuing to, obviously, articulate the desire and hope that we look at the blend rate that is currently at E10. We are hopeful that it will be expanded from E10 to somewhere between E10 and E15. That, obviously, will expand opportunity and send a clear, strong message particularly to the market and to lenders that we are in this for the long haul.

So it is a wide variety of those things, and we are, obviously, expecting our car industry to respond by producing cars that are more amenable to flexible fuels.

ADDITIONAL COMMITTEE QUESTIONS

Senator KOHL. Very good.

Well, we thank you for being with us, Secretary Vilsack. I am most encouraged with you as a person in terms of your knowledge, your enterprise, your energy, your ambition, and I am convinced you are and will be a great Secretary of Agriculture. Thank you for being with us today.

We will hold the record open for a week for any additional questions.

[The following questions were not asked at the hearing, but were submitted to the Department for response subsequent to the hearing:]

QUESTIONS SUBMITTED BY SENATOR HERB KOHL

BROADBAND

Question. Mr. Secretary, for some years this Committee has supported extending high speed broadband service to the most remote, unserved areas of rural America. Substantial funds have been made available in annual appropriations bills, and \$2.5 billion was provided to USDA for this purpose in the Recovery Act.

Please describe the progress that has been made in expanding broadband access to unserved rural areas.

How is USDA working with the Commerce Department to utilize funds provided in the Recovery Act?

When do you expect to start spending Recovery Act funds?

In addition to the Recovery Act funds and substantial carryover from fiscal year 2008, you are requesting a large increase in the 2010 appropriation. Please explain why you think this increase is needed.

Answer. The Rural Utilities Service has made substantial progress in providing assistance to unserved and underserved rural areas. Since 1995, we have required all new telecommunications capacity that we finance to be broadband capable. We have had great success with our Community Connect and Distance Learning and Telemedicine programs, providing more than \$425 million in funding for these programs. Our broadband loan program, created by the 2002 Farm bill, has provided over \$1.1 billion in loans to more than 90 broadband projects in rural communities spanning 42 States.

The Recovery Act marks a major new chapter in this effort. Since its enactment, we have worked side by side with our partners at Commerce, the FCC and the White House to fulfill the President's vision for promoting broadband access across the Nation. This was an unprecedented collaborative process between these two Cabinet level agencies.

Since the Recovery Act was enacted in February, USDA and Commerce held six joint public meetings and published a Request for Information in the Federal Register to solicit input from the public. We determined early on that the two Departments need to join forces and make the process as seamless as possible. One application, one Notice of Funding Availability (NOFA), and one web portal (broadbandusa.gov) were developed.

Our first joint NOFA is expected to be published in the Federal Register in July. This NOFA will be making \$4 billion available for broadband infrastructure loans, grants, and loan grant combinations targeted to underserved and underserved areas.

Immediately thereafter, USDA and Commerce will hold 10 joint Outreach and Training Workshops in 10 States on how to apply for the program.

At the end of the application window, USDA and Commerce is expecting to receive applications seeking funding from the \$4 billion made available under this first NOFA. We expect to begin making awards in November.

With regard to the fiscal year 2010 budget, USDA is seeking the same deliverable broadband program level as fiscal year 2009. The increase in the appropriation request stems from an increase in the budget authority cost.

CIVIL RIGHTS

Question. We are pleased, Mr. Vilsack, that you are aggressively addressing long-standing civil rights issues at the Department. Because the Pigford case remains

in litigation, we understand you cannot freely discuss it. However, please tell us what you can about progress toward resolving those claims. Has the Administration submitted to Congress a legislative proposal requesting the \$1.25 billion to fund settlements? If not, when do you expect that proposal to be submitted?

Answer. USDA has been working with the Department of Justice, which has the lead in negotiating the settlement for the Government. Once more details are known, legislation will be submitted to carry out the settlement. I have asked that additional information be provided for the record.

[The information follows:]

On August 28, 1997, a group of African American farmers filed a class-action lawsuit against USDA in Federal district court, alleging discrimination in USDA farm loan and farm programs (originally *Pigford et al., v. Ann Veneman*, now *Pigford et al., v. Tom Vilsack*). The court certified the class, and entered a Consent Decree on April 14, 1999.

The certified class was described as all African American farmers who: (1) farmed, or attempted to farm, between January 1, 1981, and December 31, 1996; (2) applied to USDA during that time period for participation in a Federal farm credit or benefit program and who believed that they were discriminated against on the basis of race in USDA's response to that application; and (3) filed a discrimination complaint on or before July 1, 1997, regarding USDA's treatment of such farm credit or benefit application. USDA has been implementing the Consent Decree since 1999, and the last of the claims were recently routed for processing.

In June of 2008, Congress enacted legislation, Section 14012 of the Food, Conservation and Energy Act of 2008 (Act), which affords individuals who did not file timely claims under the Consent Decree, judicial recourse in the U.S. District Court for the District of Columbia, for any Pigford claimant who has not previously obtained a determination on the merits of a Pigford claim.

Consequently, as of September 18, 2009, 17 civil action complaints have been filed in the U.S. District Court for the District of Columbia, by 29,938 plaintiffs. The U.S. District Court Judge entered an order suspending the requirements about USDA providing loan data, while the Court considers the class certification issue. The parties have been negotiating a resolution of the cases since last year. President Obama proposed in his fiscal year 2010 budget \$1.15 billion for the sole purpose of settling the cases.

NATIONAL INSTITUTE OF FOOD AND AGRICULTURE (NIFA)

Question. What is the status of hiring a NIFA director? The budget request includes an increase of \$23 million to help rural producers and citizens learn to use new technologies. Can you expand on what this will do? How many people will receive assistance with this?

Answer. Dr. Roger N. Beachy, the founding president of the Donald Danforth Plant Science Center in St. Louis, MO, has been appointed the first director of the National Institute of Food and Agriculture (NIFA) by President Barack Obama. Beachy will join the agency on October 5, 2009.

NIFA is requesting \$23,000,000 to improve rural quality of life to support a competitive Smith-Lever 3(d) program focused on developing technology based system competencies for agricultural producers and food processors, and rural citizens. Mounting this program through Smith-Lever 3(d) will take advantage of the powerful existing infrastructure of both 1862 and 1890 land-grant institutions. This program will enhance the adoption and diffusion of broadband, as well as other information access technologies, and other new technologies (sensor systems, monitoring and tracking systems, nanotechnology, and decision systems). These information and other technologies can support rural entrepreneurship, sustain jobs in rural and isolated areas, and address a wide range of agricultural and food production and processing issues.

A cornerstone of this program would be the establishment of an Extension Rural Technology Corps which would build on the national infrastructure of Cooperative Extension which serves every location in the country through county and regional offices supported by a Federal/State/local partnership, and through the nationwide Extension system. The Corps could work in collaboration to educate rural citizens to fully utilize broadband and other information technology access to support entrepreneurship, remote jobs, decision assistance, and community linkages. The Corps would complement the expansion of broadband to rural areas and support rapid, creative, and effective use of the technology.

Second, the program would expedite the adoption and diffusion of new technologies to address rural and agricultural issues, to support the vitality of rural areas. For example, sensing, monitoring and tracking weather borne crop diseases

can both improve production efficiency and reduce environmental impacts by minimizing expensive pesticide purchases and application. New technologies, properly applied and interpreted can help rural communities cost effectively monitor environmental conditions, such as water quality. In addition, new technologies across a broad spectrum, including energy systems, provide opportunities for rural entrepreneurship.

The Extension system serves citizens in every county in the United States. This effort, however, would focus on the needs of citizens in rural and isolated areas, helping at least 500,000 households and businesses improve utilization of new information technologies.

MC GOVERN-DOLE INTERNATIONAL FOOD FOR EDUCATION PROGRAM

Question. Mr. Secretary, the McGovern-Dole program is an important tool for fighting world hunger. For many children in poor countries, the McGovern-Dole meal they get at school is the only one they'll receive that day. This program has received around \$100 million annually in discretionary funds. I am pleased to see a significant increase in your budget request. Can you discuss the impact such a large increase will have on this program?

Answer. The 2010 budget request doubles the level of discretionary funding for the McGovern-Dole program. The increase will allow USDA to augment significantly the number of beneficiaries served as well as increase the benefits for those already participating in the program. The World Food Program estimates there are 75 million children who do not attend school and, for those who do attend, 60 million are hungry. The increase will help USDA to reduce these numbers, while at the same time support activities that encourage school enrollment and attendance, improve health and nutrition, and enhance future economic development of the country.

Question. How many additional children will be served?

Answer. It is estimated that the number of beneficiaries will increase from approximately 3 million in fiscal year 2009 to 4.5 million in fiscal year 2010.

Question. Do you envision the program entering new countries with this increase? If so, which ones?

Answer. It is possible that USDA could enter new countries in fiscal year 2010 with this increase. However, it is difficult to say how many and which countries. That will depend upon the proposals that USDA receives in terms of country selection and the level of funding requested and approved for the proposed country programs.

NIFA EDUCATION REQUEST

Question. The budget includes an increase of \$41 million for Higher Education Programs, including teacher incentives, curriculum development, and other activities. Will USDA be working with the Department of Education in this endeavor? Are there overlapping activities within USDA and the Department of Education here? This request has a significant outcomes associated with it, with a wide variety of activities to be undertaken with this money. If you really want to meet these outcomes, is this request enough?

Answer. Yes, opportunities exist for USDA and the Department of Education to coordinate resources on this initiative and we will pursue those opportunities. Specifically, staff within the Department of Education's Fund for the Improvement of Postsecondary Education (FIPSE) competitive grants program have the expertise to assist USDA. FIPSE grants, like several of USDA's Higher Education grants identified for this funding increase, support innovative teaching improvement projects that promote revitalizing rural American communities. These grant programs already effectively fund academic advancements in education, and support new ideas and practices to improve how students learn. However, at current funding levels, these grant programs primarily fund projects at individual academic institutions. Significant outcomes are expected with this additional funding increase. We envision additional funding will enable establishment of new, regional Centers of Excellence where partnerships between educators and employers establish best practices in curriculum content and delivery through a local academic collaborative. These regional collaborative models will reduce duplication of effort while increasing instructional efficiency.

DAIRY

Question. Mr. Secretary and Mr. Glauber, the dairy sector is facing enormous challenges and this concerns me a great deal. Economic turmoil has diminished demand and prices paid to farmers have plummeted. We worked to strengthen the MILC safety net in the Farm bill, and you've taken steps by purchasing surpluses

and utilizing the Dairy Export Incentives Program. What trends do you see ahead for the dairy sector?

Answer. Prices and farm income are expected to recover to more sustainable levels as demand increases with economic recovery over the next 2 years. The size of the dairy herd is projected to return to the long-term trend of decline that was interrupted from 2005 through 2008 by rapid worldwide economic growth that brought increased dairy product demand.

Question. When might we begin to see positive outcomes from the steps that have already been taken?

Answer. Milk prices have begun to increase. [Clerk's note: The following response is based on information available after the date of the hearing.] The all-milk price hit the lowest level in 6 years during June and July 2009. Product shipments through the Dairy Export Incentive Program and actions taken through the Dairy Product Price Support Program brought price increases in August with the all-milk price increasing \$0.50 per hundredweight. This increase will be reflected in the Milk Income Loss Contract Program checks that producers receive during September for their August milk production. Further increases in the milk price are projected through next year.

RESOURCE CONSERVATION AND DEVELOPMENT COUNCILS (RC&DS)

Question. Mr. Secretary, for the past several years, the budget request for RC&Ds has been zero. This subcommittee continues to fund this program each year. Can you explain what the practical effect would be of not funding RC&Ds?

Answer. As nonprofit organizations, RC&D councils will still exist in the short term. However, while some councils may have the financial and staff capacity to continue operating, we expect that most councils would cease to function effectively without the support of professional NRCS coordinators. As a result, the strategic planning and delivery of many conservation, renewable energy, and economic development projects in local communities would halt.

Question. There are approximately 451 staff years associated with RC&Ds. What will happen to these staff should this subcommittee not provide funding? Will anyone lose their job?

Answer. RC&D staffing adjustments are being considered as part of NRCS' human capital analysis and plan. Since NRCS is facing significant retirements in the future, all appropriate staffing incentives and adjustments are being considered. However, specific plans have not been finalized. Implementation of any plan for fiscal year 2010 would not be initiated until Congressional action on the President's Budget is known and necessary decisions have been made. NRCS intends to retain as many RC&D staff as the overall NRCS budget will support. Skills learned as a RC&D coordinator serve employees well in many other NRCS positions. The ability to foster partnerships, collaborate, and plan projects is essential to all NRCS field and State level technical positions. These employees can be placed in other NRCS field and State office positions such as district conservationist and other natural resource positions.

Question. Would the current functions of RC&Ds be absorbed within NRCS? If so, how?

Answer. As nonprofit organizations, RC&D Councils will still exist. The current functions of the Federal RC&D Program would not be provided to assist the Councils. Those functions would not be absorbed within NRCS. While NRCS would continue to deliver conservation projects on individual agricultural operations through Conservation Technical Assistance and the Farm bill conservation programs, NRCS would not absorb the valuable strategic natural resource conservation and economic development planning and project delivery function of the RC&D Program. Likewise, NRCS's remaining conservation planning and delivery programs would not support the leveraging of significant State, local, and private funding as provided by the RC&D Program. In fiscal year 2008 alone, the RC&D councils leveraged a total of \$189 million from non-Federal sources to support 4,500 projects around the country.

WIC

Question. I am pleased to see in your budget a more robust request for WIC. As you know, this subcommittee has had to provide significant increases for WIC, often times at the expense of other important programs. Do you expect to release any contingency funds from fiscal year 2009? Taking into consideration the 2009 stimulus and the fiscal year 2010 request, what will the total amount available for WIC contingency be in fiscal year 2010? Do you anticipate having to use any of that contingency to maintain participation in fiscal year 2010? Taking into account the current

state of the economy, do you see food prices and participation increasing over the next few months?

[Clerks Note: The following response is based on information available after the date of the hearing.]

Answer. The total available in the WIC contingency reserve in fiscal year 2009 is \$525 million, including \$400 million provided in the Recovery Act. Of the total available, \$38 million will be used in fiscal year 2009, leaving \$487 million to be carried over into fiscal year 2010. Together with the \$225 million in the budget request, the total contingency reserve available for fiscal year 2010 is \$712 million. Based on current estimates for program participation and food costs, the funding levels proposed by the President's 2010 budget appear sufficient to ensure that all eligible individuals seeking benefits can receive them in fiscal year 2010 without using any of the \$486.8 million in available contingency funds.

WIC food package cost estimates are based on monthly food inflation forecasts provided to FNS by the Economic Research Service (ERS). Food prices over the next few months may begin to increase slightly. FNS estimates that the WIC food package cost will increase 3.1 percent during fiscal year 2010 from \$42.82 to \$44.18.

FNS has typically based its participation projections on trends over the past 7 years. However, given the current state of the economy, FNS believes that participation is likely to grow at a stronger rate through fiscal year 2010, closer to the rate realized in fiscal year 2008 than to the 7-year average. FNS projects that average monthly participation will be 5.6 percent higher in fiscal year 2010 than in fiscal year 2009 from 9.1 million to 9.6 million participants.

RENEWABLE ENERGY

Question. Mr. Secretary, we are aware that expansion of renewable energy production and energy efficiency improvements are high priorities of you and this Administration. Those priorities are well represented in the increases you are requesting in this budget.

Over the last several years USDA has provided substantial support for the expansion of corn-based ethanol facilities. With the current recession and reduced oil prices, what are the short-term prospects for these facilities?

Answer. As the economy begins to stabilize and emerge from its deep recession, our hope is that demand for renewable fuels will continue to grow along with other sectors of the economy. Our reports show that those corn-based facilities that weathered the financial crisis are beginning to show profitability.

Question. Do you think additional support will be needed from the Department to sustain these projects?

Answer. USDA is undertaking an unprecedented effort to provide relief to businesses in struggling agricultural industries through the American Recovery and Reinvestment Act funding received under the Business and Industry Loan Guarantee Program. This program has been put to work to partner with lenders in helping to assist processors and other businesses connected with the agricultural sector meet their current financial needs for capital.

Question. Is the demand for the Biorefinery Assistance Program and the Rural Energy for America Program as strong as you had anticipated?

Answer. The future of the biofuels industry partially lies in the commercialization of second and third generation feedstocks. The Section 9003 Biorefinery Assistance Program is a critically important investment in that evolution.

Numerous potential applicants for the Biorefinery Assistance Program have expressed their inability to obtain a lending partner in order to apply for a loan guarantee to assist with the construction of a viable commercial biorefinery under the Section 9003 Program. Based on discussions with the lending community and the current economic climate, they are reluctant to consider this loan guarantee program without the government taking more of the risk than currently is being taken under the program. We will not know for certain the true level of demand for the Section 9003 Program until regulations are promulgated and a new solicitation of applications is conducted. That is expected to occur toward the end of fiscal year 2010.

The 2008 Farm bill authorized the Rural Energy for America Program in Section 9007 which expands and renames the program formerly called the Section 9006: Renewable Energy Systems and Energy Efficiency Improvements Program. Since the enactment of the first-ever Energy Title in a Farm bill in 2002, this program has provided grants and loan guarantees to rural residents, agricultural producers, and rural businesses for more than 1,800 energy efficiency and renewable energy projects ranging from biofuels to wind, solar, geothermal, methane gas recovery, and other biomass.

Question. The President's budget requests substantial increases of discretionary funding over and above the mandatory funds in the Farm bill for these programs. Are these increases still needed?

Answer. As noted in the answer to the prior question, we will not know for certain the true level of demand for the Section 9003 Program until the end of fiscal year 2010 when we begin to accept applications under new regulations and a new notice of solicitation.

Preliminary results show that the Rural Energy for America Program received 1,887 applications requesting in excess of \$120 million. The demand for this program far exceeded the funding for fiscal year 2009. We anticipate the demand for this program to continue to grow significantly in fiscal year 2010.

MICRO-ENTERPRISE PROGRAM

Question. Mr. Secretary, this Committee is very interested in implementation of the new micro-enterprise program authorized in the 2008 Farm bill. This program will provide loans and technical assistance to support job creation and income generation through entrepreneurial development in rural areas. The Farm bill makes available mandatory funding for this program from 2009 through 2012.

Please describe the current status of this new program, and your vision of its potential to increase economic wellbeing in rural areas.

Answer. We expect the proposed rule to be transmitted to the Office of Management and Budget by September 30, 2009, for review and the agency is seeking an expedited review. We anticipate publishing a final rule by the end of June 2010, and will then be able to articulate our vision of the program's potential to increase economic wellbeing in rural areas.

Question. This budget request includes an increase of \$22 million over the \$4 million of mandatory money provided by the Farm bill. Is this large increase merited at this early stage of development of the program?

Answer. The Agency seeks to utilize the funding to help jump start rural economies through self employment. We believe there will be considerable demand for the increase in funding. The program includes a lending component as well as a training and technical assistance component which will contribute to the long term success of the affected businesses.

ANIMAL IDENTIFICATION

Question. I understand that in the rural community forums there was a lot of talk about the National Animal ID Program. What did you learn from those listening sessions? Do you believe this should be a mandatory or voluntary program? If it's made mandatory, what would be the cost to producers?

Answer. USDA hosted public listening sessions so that I could hear from producers and stakeholders throughout the country—not only their concerns but also potential or feasible solutions to those concerns. The transcripts of the listening sessions are available on APHIS' webpage: <http://animalid.aphis.usda.gov/nais/feed-back.shtml>. USDA also invited the public to submit written comments via the website, which we received thousands of before the comment period closed on August 3, 2009. While the analysis continues, several clear themes have emerged from the call for feedback.

One such theme is confidentiality of the business information. Some believe that business information must remain confidential to allow for fair competition in the marketplace. Another theme is liability, and the potential for lawsuits, should something enter the food supply and cause harm. We also heard concerns about cost. Some believe the costs of identifying and tracing animals are prohibitive. Finally, privacy was another significant theme. Some see animal identification as an unwelcome intrusion by the Federal Government. USDA is continuing to review the transcripts from each session as well as the written comments that were submitted by the public.

Given the public's concerns, USDA must find a way to achieve the original and true purpose of the National Animal Identification System—animal traceability. The goal is to enhance traceability efforts in ways that respond to these concerns, recognizing and seeking to overcome the shortcomings of our efforts to implement NAIS in the last 5 years. The feedback we received from the public, along with the lessons learned over the past several years, will assist in making informed decisions about the future direction of animal identification and traceability in the United States.

USDA has not specifically estimated the costs to producers of a mandatory system, as the previous Administration had not pursued such a system and the Administration is still determining a comprehensive approach to traceability.

WATERSHED FLOOD PREVENTION OPERATIONS PROGRAM STATUS

Question. Mr. Secretary, this subcommittee provided \$290 million for the Watershed Flood Prevention Operations Program through the American Recovery and Reinvestment Act.

Can you please provide an update on the status of these funds?

Answer. Of the \$290 million appropriated, NRCS has allocated over \$256 million—\$133 million for 80 approved Watershed and Flood Prevention Projects, \$118 million for 270 approved Flood Plain Easements and \$5 million for agency-wide support. As of September 18, 2009, over \$103 million has been obligated.

[The information follows:]

State	Total allocations	Total obligations
Watershed and Flood Prevention Operations		
Alabama	\$430,000	\$18,411
Arkansas	134,000	69,666
California	19,275,000	2,293,104
Colorado	3,841,900	1,350,835
Idaho	430,000	9,717
Indiana	3,300,000	28,038
Iowa	2,231,750	732,079
Kansas	1,661,000	50,873
Kentucky	4,817,880	217,840
Louisiana	4,470,000	1,044,304
Minnesota	544,000	436,552
Mississippi	7,630,000	2,268,643
Missouri	4,900,000	945,818
Montana	822,700	271,458
Nebraska	4,209,000	1,524,840
New Mexico	1,440,000	25,555
New York	1,000,000	147,438
North Carolina	5,280,858	134,749
Oklahoma	3,619,000	1,826,996
Pacific Islands	4,150,000	80,369
Pennsylvania	11,900,000	10,379,210
South Carolina	1,040,000	19,912
Tennessee	12,400,000	1,111,862
Texas	21,786,111	8,105,239
Virginia	973,000	284,144
Washington	625,000	533,940
West Virginia	10,085,000	150,958
Agency wide	3,684,200	1,117,776
Total	136,680,399	35,180,326
Flood Plain Easements		
Alabama	2,788,488	1,640,774
Alaska	740,112	151,033
Arkansas	1,890,000	1,356,112
California	5,366,400	4,335,977
Colorado	111,293	10,834
Connecticut	31,000	31,000
Georgia	3,100,218	31,880
Idaho	19,800	19,739
Illinois	3,325,800	2,692,893
Indiana	7,898,693	6,671,586
Iowa	20,855,846	12,586,216
Kansas	2,007,432	1,680,570
Kentucky	3,245,582	2,548,135
Louisiana	2,221,769	982,070
Maine	88,294	85,046
Maryland	19,963	19,862
Michigan	497,100	435,407
Minnesota	1,524,776	1,028,453
Mississippi	2,125,116	1,620,622

State	Total allocations	Total obligations
Missouri	4,171,582	1,189,791
Montana	10,468	10,468
Nebraska	350,820	289,646
New Hampshire	407,822	140,025
New Jersey	745,164	578,882
New York	782,466	56,078
North Carolina	443,400	322,562
North Dakota	10,210,554	3,804,286
Ohio	9,624,170	452,705
Oklahoma	2,911,620	35,146
Oregon	2,275,770	1,182,059
Pennsylvania	243,383	103,657
Rhode Island	757,200	44,182
South Carolina	87,700	87,643
South Dakota	1,843,327	1,557,318
Tennessee	1,589,154	182,227
Texas	5,516	5,516
Virginia	35,754	36,344
Washington	934,332	461,820
West Virginia	749,426	448,497
Wisconsin	22,057,287	18,619,779
Agency wide	1,583,726	550,048
Total	119,678,323	68,086,889

FOOD SAFETY ASSESSMENTS

Question. The budget proposes an increase of \$4 million for additional food safety assessments. How is a “food safety assessment” different from the regular inspections done by FSIS on a daily basis? How many food safety assessments does USDA currently perform, and how many additional assessments will be completed with this money? How will you determine which establishments will receive these additional assessments?

Answer. A Food Safety Assessment (FSA) is a comprehensive look at the design and implementation of an establishment’s food safety system. FSAs cover the HACCP plan and supporting documentation, sanitation standard operating procedures (SSOPs), prerequisite programs, microbiological testing procedures, sanitation performance standards (SPS), establishment documentation, and other information that relates to the establishment’s products and processes. These assessments are in addition to the regular inspection verification activities performed by inspection program personnel daily at operating establishments. FSAs are performed by specially trained Enforcement Investigation and Analysis Officers (EIAOs). According to the USDA Office of Inspector General’s 2007 audit report, FSAs yield the Department’s best evidence about the design and implementation of an establishment’s food safety system.

There are two types of FSAs, routine and for cause. The Department has committed to complete at least one routine FSA in each of the 5,400 establishments subject to the HACCP regulation every 4 years. In addition, the Department conducts for cause FSAs in establishments that have a higher probability of causing human illness. These are determined by assessing whether the establishments have produced product that tested positive for pathogens known to cause human illness, are found not to be in compliance with specific Federal regulations, or are performing worse than their peers with respect to FSIS verification activities. FSIS initiates approximately 300–400 for cause FSAs every year to address enforcement activities resulting from findings of *E. coli* O157:H7, *Salmonella*, *Listeria monocytogenes* (Lm) sampling and product recalls.

The complexity of an establishment’s food safety system and the need for urgent reporting may result in more than one EIAO being involved in an individual food safety assessment. In the future, once the Public Health Information System is fully implemented, establishments meeting the criteria for a cause FSA will be more quickly identified through an automated process.

In fiscal year 2008, the most recent year for which complete data is available, approximately 1,352 FSAs were conducted, both routine and for cause. The FSAs, primarily those conducted for cause resulted in 28 suspensions of operations and 135

notices of intended enforcement action. With the Department committed to conducting a routine FSA in each establishment every 4 years, the annual number of total number of FSAs, including routine and for cause, will increase to approximately 2,000. The \$4 million budget increase includes hiring 20 additional EIAO full time staff and the laboratory costs associated with these additional FSAs.

FOOD SAFETY INFRASTRUCTURE

Question. Mr. Secretary, in your statement, you mention the proposed FSIS increase of \$23 million to improve food safety “Public Health Infrastructure”, noting that it will strengthen FSIS’ ability to target inspections and investigate outbreaks. Those goals are impressive, but what exactly will this funding be used for?

Answer. The Public Health Information System (PHIS) will protect public health through food safety and food defense inspection of the production and distribution of domestic and imported meat, poultry and processed egg products; ongoing and real time assessment, analysis and surveillance of public health data; and implementation of incident command procedures to address outbreaks of foodborne illness or contamination of food products.

Specifically, the \$23 million increase to the public health infrastructure is divided into two categories as described below.

First, \$13.5 million will be used for the scheduling of food safety and food defense inspection verification and sampling in 5,400 Federal domestic establishments, 134 ports of entry and 1,900 State-inspected facilities; nationwide reporting of inspection verification and sampling results; integration of inspection and sampling data as well as other public health data into a data warehouse for real time assessment and analysis; and operation of an emergency response systems (particularly, the FSIS Incident Management System, Consumer Complaint Monitoring System and Recall Management System) on a 24/7 operational basis with full failsafe/redundancy capability at the USDA Data Centers.

Second, the remaining \$9.5 million will provide for systems, technical and telecommunication implementation and support for 9,500 FSIS and 1,400 State employees and enactment of Cyber Security controls to meet mandated authentication procedures and security policies, encrypt data and systems, perform vulnerability assessments and remediation to block and prevent evolving national and international threats and intrusions, and maintain system certification and accreditation necessary for the enablement and function of public health inspection and emergency response systems.

RESEARCH

Question. Mr. Secretary, although you have stated several times that a top goal of the Administration is to pursue research regarding renewable fuels, the overall research accounts actually receive a net decrease in this budget. Although there are requested increases in the research accounts regarding renewable fuels, are you concerned that overall this is coming at a cost to more traditional agricultural research, important for increasing yields and expanding agricultural production?

Answer. The Administration is committed to developing homegrown energy to end our dependence on foreign oil and revitalizing rural America. Therefore the President’s 2010 Budget continues to aggressively provide the resources needed to help bring greater energy independence to America and includes \$88.63 million for bio-energy/renewable energy research and development. This is an increase of \$9.68 million over the Department’s 2009 budget and also eliminates \$8.09 million in bio-energy earmarks.

Much of the research related to bioenergy, such as functional genomics, resource management, productivity, and sustainability issues also address problems faced by traditional agriculture and will directly and indirectly promote the goals of increasing yields and expanding agricultural production.

ANIMAL ANTIBIOTICS

Question. Some experts estimate that as much as 70 percent of all antibiotics sold in this country are used in food animals for purposes other than treating diseases and that this contributes to the rise in antibiotic-resistant bacteria.

What research has USDA undertaken or funded to evaluate this threat? What work is being done to support development of alternatives for producers in the event that sub-therapeutic use of antibiotics is restricted in animal agriculture?

Answer. Collaboration in animal health and food safety epidemiology (CAHFSE) is a joint effort among three agencies of the U.S. Department of Agriculture: the Animal and Plant Health Inspection Service (APHIS), the Agricultural Research Service (ARS), and the Food Safety and Inspection Service (FSIS). The mission of

this important surveillance effort is (1) to enhance overall understanding of bacteria that pose a food-safety risk by monitoring these bacteria on-farm and in-plant over time, and (2) to provide a means to routinely monitor critical diseases in food-animal production. A particular emphasis of CAHFSE is to address issues related to bacteria that are resistant to antibiotics.

In March 2009, ARS contributed to the development of the Public Health Action Plan to Combat Antimicrobial Resistance, developed jointly by the Food and Drug Administration (FDA), Centers for Disease Control and Prevention (CDC), and National Institutes of Health. ARS, in collaboration with the FDA Center for Veterinary Medicine and the (CDC), is an integral member of the National Antimicrobial Resistance Monitoring System (NARMS). This system was implemented in 1996 with a goal of monitoring trends in antimicrobial resistance in humans, animals, and retail meats. ARS is responsible for the animal sampling arm of NARMS and collects samples from slaughter plants, diagnostic laboratories, and healthy animals. As part of this effort, ARS is also conducting research to develop more sensitive detection methods to identify resistance-associated genes. NARMS has provided preliminary data on antimicrobial use, although this information is not yet linked to data on resistance. ARS has also conducted some pilot studies to monitor resistance in potentially emerging pathogens, such as methicillin-resistant staphylococcus aureus (MRSA), enterococci, and *C. difficile*. I will provide additional information for the record.

[The information follows:]

ARS is evaluating processing technologies that minimize foodborne pathogen contamination and determining what effect contamination levels have on the development of antimicrobial resistant pathogens. ARS also models the gene flow of certain antibiotic resistance factors and is developing strategies to extend the useful life of antibiotics in both animal and human medicine.

ARS is currently using metagenomic (and also cultural) approaches to evaluate the effects of feeding subtherapeutic (growth promoting) and therapeutic antibiotics on swine intestinal microbiota. The goal of this effort is to identify changes in microbial composition associated with performance enhancement, and to define how growth promotants work to support the identification of alternatives with similar growth-promoting effects. Specifically, researchers are looking for changes in the gene content of swine exposed to one or more antibiotics. Also underway are plans to conduct field trials to test whether or not growth promoting antibiotics (such as carbadox) still work in swine and to investigate the utility of metagenomics for detecting changes in intestinal microbiota caused by marketed probiotics.

ARS develops and evaluates non-traditional products or alternatives to antibiotics (e.g., probiotics, other natural products) and assesses what effect they may have in decreasing resistance. ARS is evaluating the role of antibiotic resistance in creating enhanced virulence or pathogenicity in bacteria (*Salmonella* in cattle). Researchers are also developing microarrays for the detection of antimicrobial resistance genes in bacteria and as a method to track the different genes responsible for virulence in bacteria.

DAIRY PRICE SUPPORT PROGRAM

Question. Economic turmoil and plummeting prices have hit the dairy sector very hard. This administration has taken several welcome steps in an effort to mitigate the impact, but the strain on American dairy farmers is enormous. One further administrative step which I'd ask you to review involves the Dairy Product Price Support Program (DPPSP).

In the past, USDA has purchased pasteurized processed cheese product, and paid a premium for it because it comes in consumer-ready packages. Cheese manufacturers in my area of the country typically sold pasteurized processed cheese as the first line of defense against rapidly falling milk prices. Unfortunately, that option is no longer available.

What flexibility does the Department have to adjust the directive issued by the previous administration which eliminated pasteurized processed cheese purchases under the dairy support program?

Answer. The Department has no flexibility to adjust the directive because the elimination of pasteurized process cheese was based on changes to the milk price support program in the Food, Conservation, and Energy Act of 2008 (2008 Farm bill). The Secretary is now directed to specifically purchase cheddar cheese under this program, rather than previous legislation directing the Secretary to purchase cheese.

ANIMAL IMPROVEMENT LABORATORY

Question. The Animal Improvement Program Laboratory (AIPL) in Beltsville, MD, conducts research to discover, test, and implement improved genetic evaluation techniques for economically important traits in dairy cattle. Due in part to their work, the United States is a world leader in dairy genetics and last year exported more than \$105 million in bovine genetic material. Please describe current Federal support for bovine genetic and genomic work at AIPL and elaborate on steps being taken to ensure that the United States maintains its leadership role in dairy genetics.

Answer. Genetic evaluation techniques for economically important traits have undergone a revolution in the past 2 years and the Animal Improvement Program Laboratory (AIPL) has led the way with increasing involvement of the Bovine Functional Genomics Laboratory (BFGL), a sister Agricultural Research Service (ARS) laboratory in Beltsville, MD. I have asked ARS to provide a progress report for the record.

[The information follows:]

USDA-ARS and its collaborators have developed a process to incorporate genomic information into the traditional genetic merit information based upon trait measurement (i.e. lbs. of milk, fertility, health) which dramatically improves the genetic merit evaluation. This current genetic evaluation scheme depends critically on incorporation of genomic data to predict genetic merit in dairy bulls. The effectiveness of these new techniques, and thus the rate of adoption of this technology in the U.S. dairy industry, has been astounding. In January of this year, less than 1 year from the delivery of the first preliminary research results using this technology, USDA-ARS scientists have incorporated this completely new information derived from DNA testing into the official national dairy cattle genetic evaluation. This technology transfer success was the result of a highly collaborative effort led by USDA-ARS scientists with collaboration among academic groups, artificial insemination organizations, and breed associations. Financial support was provided through competitive grants, collaborative agreements, and USDA base funds. To date, over 35,000 animals have been genotyped, and that number continues to grow rapidly. Collection and use of performance data, improved record keeping and enhanced capability to associate performance with genomic markers continue to be cornerstones of the USDA-ARS efforts.

The aggressive adoption of this technology in the U.S. dairy industry has outpaced implementation around the world, and as a result the ability to predict genetic merit in the U.S. dairy industry is more accurate than in any other country. A corresponding increase in the genetic level of U.S. dairy germplasm is a direct result of this technology adoption. The cost of progeny testing to determine a bull's value could be as high as \$50,000 per bull, whereas the genomic evaluation gives comparable accuracy at a cost of approximately \$300 per bull. Using this DNA information, we are now able to generate genetic predictions for males much earlier in life with high accuracy and a dramatically lower cost. This technology is expected to increase the rate of genetic improvement by at least 50 percent. Some estimates suggest a doubling of the genetic gain to be more realistic. Because of this dramatic increase and the implementation lead gained by this rapid deployment in the United States, export opportunities for U.S. dairy germplasm are expected to increase substantially over time.

Work to expand this technology is continuing in AIPL and BFGL. Scientists there are leading efforts to develop even more sophisticated DNA tools that will enable this technology to be implemented in beef cattle populations. In addition, these tools are being developed to help serve the needs of the developing world by incorporating information specific to cattle in tropical and sub-Saharan environments.

To maintain its lead in dairy genetics and extend these tremendous results into other cattle populations, close collaboration with academic groups, artificial insemination organizations, and breed associations will continue. Innovation continues to be spurred by the exciting discoveries of implementing genome enhanced genetic improvement. Growth in the areas of bioinformatics, quantitative genetics and computational biology are needed to maintain and extend this lead.

ARS funding support through AIPL is estimated at \$2,893,200 and support through BFGL is estimated at \$2,294,100.

QUESTIONS SUBMITTED BY SENATOR TOM HARKIN

ADVANCED BIOFUELS

Question. As you know, Secretary Vilsack, the 2008 Farm bill placed a heavy emphasis on providing support for advanced biofuels, including support for biomass feedstock development, support for harvesting transport and storage, and support for both pilot plant and commercial scale biorefineries for advanced biofuels. However, since the Farm bill was passed, credit markets have tightened significantly, so that even with assistance provided by the Farm bill programs, I am hearing that advanced biorefinery developers are having major difficulties in securing financing for start-up plants. This, in turn, is leading to the real possibility that the biofuels industry may not be ready to meet the requirements of our national renewable fuels standards (RFS) for advanced biofuels.

Do you have a recommendation for how USDA might assist with this problem?

Answer. Numerous potential applicants for the Biorefinery Assistance Program have expressed their inability to obtain a lending partner in order to apply for a loan guarantee to assist with the construction of a viable commercial biorefinery under the Section 9003 Program. Based on discussions with the lending community and the current economic climate, they are reluctant to consider this loan guarantee program without the government taking more of the risk than currently is being taken under the program. We will not know for certain the true level of demand for the Section 9003 Program until regulations are promulgated and a new solicitation of applications is conducted. That is expected to occur toward the end of fiscal year 2010.

Question. Is more funding for the biorefinery support program advisable or essential for that?

Answer. Mandatory funding received under the 2008 Farm bill is limited to loan guarantees. The 2010 Budget also requests funding to support loan guarantees.

LOCAL FOODS—BUSINESS AND INDUSTRY LOAN AND GRANT PROGRAM

Question. The recently passed fiscal year 2009 Omnibus appropriations bill and American Recovery and Reinvestment Act provided significant funding for the Business and Industry loan program at USDA. The 2008 Farm bill modified the Business and Industry Program to allow local and regional food enterprises to be eligible for assistance under this program and requires that 5 percent of the annual funding under this program be reserved for these enterprises.

Can you tell me what the department is doing in terms of outreach to encourage local and regional food enterprises to participate in this program?

Answer. The department has a Know Your Farmer, Know Your Food Initiative and will be establishing a website where this program will be featured among all of the department's resources to assist this effort.

ACRE PROGRAM IMPLEMENTATION AND TRAINING

Question. Secretary Vilsack, the 2008 Farm bill includes a new counter-cyclical option called the Average Crop Revenue Election (ACRE) that uses average State-level crop revenue to establish a threshold for coverage. Farmers will have to actively elect to participate in this new program and agree to forgo a portion of their direct payments and to accept lower loan rates. I appreciate that you extended the time for farm program signup to give producers additional time to weigh the benefits of the program options. I am concerned, however, that local county FSA personnel may not have adequate training to help producers consider their program options.

What training has the Farm Service Agency provided on the ACRE program and what plans are in place for additional training over the next few months?

Answer. The Farm Service Agency has distributed fact sheets and extensive background information to the field staff and has conducted training meetings and webinars along with other efforts to ensure staff is adequately trained. However, we agree with you that further efforts to improve our employees' and producers' understanding of ACRE would be beneficial. The agency has set up a special website for DCP/ACRE which includes extensive detailed information, and a new program payment calculator to help producers evaluate their options. Plans call for additional State and county data files to be made available to further assist our employees and producers. Further, we are considering launching additional efforts to educate producers as well.

Question. Would you consider targeting training in those States where producers are expected to be more interested in the ACRE program?

Answer. We will attempt to ensure that FSA staff in all States are adequately trained and equipped. However, States with higher numbers of eligible producers will likely receive priority for our special educational meetings.

Question. Do you anticipate any computer-related problems as producers enroll in ACRE?

Answer. While the FSA computer system remains a concern, we believe that the agency will be able to manage the signup process adequately with the current system.

USDA AND DOE COLLABORATION

Question. The Department of Energy provides significant support for the development of biofuels, as well as USDA. Both agencies are supposed to work together in this arena. However, I believe that USDA has a much better track record for supporting commercialization efforts, and that suggests that USDA and DOE should be collaborating on bioenergy program planning and execution.

What is your perception regarding USDA and DOE collaboration in the area of bioenergy? Do you think it is adequate or optimal?

Answer. USDA is satisfied with the level of collaboration with DOE in the area of Bioenergy, including the Biomass Research and Development Board. DOE presently provides USDA technical expertise in the review of Section 9003 Biorefinery Assistance and Section 9007 Rural Energy for America Programs (REAP) applications.

Question. Do you have suggestions for improvements?

Answer. One way to augment both programs would be to increase partnerships, in the combined issue of grants and loan guarantees to second and third generation biorefineries. This would allow both departments to leverage commercialization efforts of second generation biofuels.

Question. And do your recommendations have budget implications?

Answer. In the May 5, 2009, President's Directive on Biofuels and Rural Economic Development, the President created a Biofuels Interagency Working Group co-chaired by Secretaries of Agriculture and Energy and Administrator of EPA to develop the Nation's first comprehensive biofuel market development program.

The two Departments have identified the leadership to co-chair the Biomass Board that is authorized under Section 9008, Biomass Research and Development, of the Farm bill. This Board will not only coordinate bioenergy activities in the two Departments, but will coordinate Federal Government wide activities and collaborate with the newly created Biofuels Interagency Working Group mentioned above.

FSA COMPUTERS

Question. The President's budget includes \$67.3 million to continue modernization and stabilization of the Farm Service Agency's aging computer system. In your testimony you state that, "additional funding will be required in subsequent years to complete this process."

Can you discuss what the remaining needs will be to complete this process?

Answer. The goal of modernization is to transform the Farm Service Agency's (FSA's) computer system to one that delivers information for the delivery of program benefits and information at an appropriate standard of quality and performance. When all the components of modernization have been fit together, FSA will have a streamlined information technology (IT) architecture built on business processes that are supported by newer, faster, more secure and more reliable web-based technologies. Given sufficient funding this goal will be achieved in fiscal year 2013.

We greatly appreciate the \$50 million made available in the Recovery Act as a down-payment for modernization. The primary objectives required to achieve that goal include finishing up stabilization efforts and completing MIDAS so that all the Farm Program Delivery business processes and applications may be moved off of the legacy system.

Additional information is provided for the record.

[The information follows:]

The original estimate of total costs planned for the stabilization and MIDAS portion of modernization has not changed from the numbers we shared with Congress last year. Stabilization is the restoration of critical elements of FSA's IT system after it began to crumble in late 2006. MIDAS is the core of the modernization effort. It is designed to streamline FSA's farm program delivery business processes. The costs of these initiatives are the same as found in the "Description of Annual and Lifecycle Costs" table of the MIDAS Report transmitted on July 15, 2008. This report was a response to a directive in House Report 110-258 which accompanied

H.R. 3161. These costs are \$305 million for MIDAS and \$149 million for stabilization, which sum to a cost of \$454 million.

Most of the expenses of stabilization have been met. The remaining \$20.4 million needed will come from a portion of the \$67.3 million request. At this point, the stabilization initiative will be complete. However, while stabilization will have mitigated many of the critical weaknesses in the legacy Farm Program Delivery system, the system will not be modernized.

The MIDAS initiative has received \$19 million of the \$50 million in Recovery Act funds in fiscal year 2009, so about \$286 million more will be required. If the \$67.3 million request is funded, FSA will apply \$46.9 million of it to MIDAS, reducing the remaining costs to about \$239 million.

Furthermore, we note that substantial investments will be required for additional modernization that is above and beyond the MIDAS effort. These additional investments would be directed toward the modernization of FSA's commodity operation processes, their legacy farm loan system, and several Department-wide "Enterprise Systems" FSA shares with other agencies. These investments will also include a portion of the "refreshment" of hardware in the Common Computing Environment that supports the modernized web-based FSA system being developed under MIDAS. This refreshment involves the long needed replacement of older desktop PCs, telecommunications and computer network equipment at FSA's field offices.

QUESTIONS SUBMITTED BY SENATOR DIANNE FEINSTEIN

ASIAN CITRUS PSYLLID

Question. For the past year, the State of California, the California County Agriculture Commissioners, and citrus industry—in collaboration with APHIS—have been working together to curb an infestation of the Asian Citrus Psyllid, taking a proactive approach to prevent the spread of Huanglongbing disease.

Will you commit the Department to working with the industry and citrus States to develop a California-type approach nationally?

Answer. USDA is committed to working with industry and citrus-producing States to implement the most practical and effective approach to control the pest based on the best available science and farm practices. The initial infestations of the Asian citrus psyllid (ACP) in California were in areas of San Diego and Imperial Counties adjacent to infested areas in Mexico. These first infestations were relatively sparse and confined to small residential areas. This made it possible for the State to conduct an ACP suppression program, focusing on treatment of individual properties. More recent ACP infestations, in areas such as Los Angeles County, are much more extensive and are likely to pose a challenge in responding with the type of suppression program carried out in San Diego County. APHIS continues to work with the State, county, and the industry in California to contain and suppress the ACP populations in Los Angeles County in the most logical manner. In addition, APHIS continues to coordinate with the Government of Mexico to implement a similar program in the adjacent border region of Baja California to reduce the likelihood of ACP incursion into the United States from Mexico. At present we are pursuing a model similar to that used for Glassy Wing Sharp Shooter which has been successful in protecting the grape and wine industries of California from Pierce's disease.

In other States where ACP and Huanglongbing disease (HLB) have become established, the strategy is designed to provide safeguarding measures as part of the regulatory framework to prevent further spread of ACP and HLB. Meanwhile, USDA is dedicated to working with the scientific community around the world in the search for long-term practical solutions for citrus greening in the United States.

Question. What support does the Department need from the industry, citrus States, and Congress?

Answer. The citrus industry recognizes that they have a significant role in conducting inspections of their groves for ACP and citrus greening, and quickly reporting suspected detections to appropriate State and Federal officials. In addition, education activities conducted by the industry have emphasized the importance of complying with State and Federal regulations designed to prevent the spread of ACP and citrus greening. States with citrus have been cooperative in conducting surveys for ACP and citrus greening, and in establishing parallel quarantines in support of Federal regulatory actions. Industry and State and Federal governments are making significant investments in research.

Question. What steps is the USDA taking to stop the spread of the Psyllid across the border from Mexico? How is USDA working with the Mexican government to move the ACP infestation away from the border?

Answer. USDA is working closely with Mexico, including providing technical support and funding to Mexico to conduct survey, regulatory, and suppression activities, in particular in areas adjacent to citrus growing areas in the United States. We believe that this has been effective in reducing the extent of the ACP infestations on the Mexican side of the border, and thus reduced the number of infestations in adjacent U.S. areas. In addition, APHIS has provided technical training and resources to Mexico, enabling that country to conduct testing for the presence of citrus greening. A high percentage of ACPs that are found are being tested for the disease. These efforts allowed Mexico to confirm its citrus greening infestation in Yucatan State and take action to prevent its spread. Pest Alerts have been provided to Department of Homeland Security, Customs and Border Patrol to heighten surveillance for ACP and HLB.

Question. What resources are being committed by USDA to treat citrus greening (HLB)? What are the plans for developing resistant plants? What is the Department doing currently to research solutions and what are its plans for future research?

Answer. There is currently no treatment for HLB. There is a concerted effort on the parts of industry, citrus States, and USDA (APHIS, the Agricultural Research Service, and the Cooperative State Research, Education, and Extension Service) to carry out activities that range from the development of strategies to suppress Asian citrus psyllid populations with the intended purpose of reducing disease pressure on the crop to the development of resistant varieties using traditional and biotechnology based approaches. Biological control is being explored in the United States and in Mexico.

Question. Can you assure me that Plant Protection and Quarantine (PPQ) officers have adequately trained Customs and Border Patrol (CBP) inspectors to identify both adult and juvenile Asian citrus psyllids (ACP) on citrus trees as well as ornamental nursery plants such as Orange Jasmine that potentially host the pest?

Answer. All plants intended for planting that enter the United States are required to go through one of APHIS' 17 plant inspection stations where they are inspected by APHIS inspectors. CBP inspectors do not inspect live plants. However, APHIS has provided pest alerts to CBP for dissemination to all ports containing photographs of both juvenile and adult ACPs for use in inspecting shipments of citrus. CBP is focusing on citrus shipments from Mexico, where ACP is known to exist. However, citrus from Mexico must go through a commercial packinghouse to be eligible for import to the United States, and any psyllids present are generally removed during the washing process that the fruit goes through in the packinghouse. ACP is also associated with curry leaves, which are prohibited but sometimes intercepted in passenger baggage from India and other Asian countries. APHIS and CBP are working to ensure that such products are not overlooked, and APHIS will be holding a workshop near the end of calendar year 2009 for CBP inspectors on inspection processes and techniques aimed at ACP.

CALIFORNIA DROUGHT ASSISTANCE

Question. California is facing a multi-year drought. In the San Joaquin Valley, the most productive agricultural area in the Nation, over half a million acres of farmland have been fallowed. Unemployment in these communities is over 40 percent.

I commend you and Secretary Salazar for establishing a joint Federal Action Team on Drought, and I look forward to working with this team to assist the San Joaquin Valley and other drought-stricken areas of the country.

What is the Department doing to assist the farmers and farm workers of the San Joaquin Valley suffering due to the drought?

Answer. USDA has a number of programs that can provide assistance during drought situations. These programs include the Federal crop insurance program, the non-insured crop disaster assistance program, and the permanent disaster programs which were authorized in the 2008 Farm bill. These programs can provide compensation to producers whose farming operations are adversely impacted by drought. In addition, USDA programs have proven that with good planning, good management, and good information, farms and ranches can reduce the impacts of drought. For example, the USDA Joint Agricultural Weather Facility and National Water and Climate Center, along with the U.S. Departments of Commerce and Interior, and the National Drought Mitigation Center (NDMC) at University of Nebraska, Lincoln, help people prepare for and deal with drought. Additionally, we are well aware that drought impacts well beyond the boundaries of farms and ranches. Programs administered by our Rural Development agencies are available to assist communities whose drinking water supplies are impacted and can even provide assistance for drilling individual wells.

FROZEN FOOD SAFETY

Question. A New York Times article that appeared on May 15, entitled “For Frozen Entrees, ‘Heat and Eat’ Isn’t Enough,” explains that frozen food, such as pot pies, require additional cooking and testing on the part of the consumer before they are considered safe to eat. Labels on these frozen entrees require that the food be cooked to a uniform temperature of 165 degrees as measured by a meat thermometer. However, the author of the New York Times article found that this temperature was unreachable without burning the crust of the pot pie.

I am very concerned that producers of frozen entrees are placing the burden of food safety on consumers. Consumers of these products purchase them for convenience and with the belief that they are safe to eat.

Does the USDA’s Food Safety Inspection Service (FSIS) allow frozen entrees such as pot pies to contain harmful pathogens at the time of purchase by the consumer? What steps does the FSIS take to make sure that producers reduce or eliminate the presence of pathogens in frozen entrees? Does the FSIS currently conduct inspections of food labels for frozen entrees that contain raw or uncooked ingredients, to ensure that the labels clearly indicate that the foods may contain pathogens without proper preparation?

Answer. Frozen entrees such as pot pies currently can be sold to consumers in either the ready-to-eat (RTE) or not-ready-to-eat (NRTE) form. RTE forms of these products must be free of detectable pathogens of public health concern at the time that the products are manufactured under Federal inspection. Such products may be heated by the consumer, prior to consumption, but the heating is only for palatability purposes because no pathogens are expected in the product. NRTE products are considered the same as a raw product (i.e., presence of microorganism, including pathogens, is minimized but non-detectable). Such product bears labeling identifying that the products are NRTE and require a full lethality treatment by the consumer in order to ensure safety.

Due to illnesses associated with this type of NRTE product, the industry was informed that the Salmonella hazard needs to be better controlled and that labeling alone cannot be the control. Labeling of such product must be truthful and not misleading. Guidance has been issued to manufacturers of this type of product, reminding them that the consumer cooking instructions must be validated as accurate and practical for the intended use.

Another type of NRTE product, i.e., NRTE stuffed poultry that appears RTE, has been more recently implicated in foodborne illnesses. Consequently, FSIS has been working with the industry on this matter and is committed to continuing this collaboration before implementing action to force more aggressive controls to ensure that detectable Salmonella is not present in the finished product. There is no specific timeline; however, the industry will have ample time between being provided the guidance on addressing and controlling Salmonella in the production of these products and regulatory action by the agency.

AGRICULTURAL INSPECTORS AT HOMELAND SECURITY

Question. Thousands of agricultural products enter California every day through the largest international airport on the West Coast, the largest seaport in the country, and the busiest international land port of entry in the world.

As you know, I have been very concerned about the transfer of agricultural inspections to the Department of Homeland Security.

APHIS controlled agriculture inspections prior to March 2003. But the responsibility was transferred to The Department of Homeland Security’s Customs and Border Patrol (CBP) as part of the Homeland Security Act. Since then, reports indicate that the number and quality of inspections have dropped dramatically.

Although DHS has made a concerted effort to improve the number and quality of inspections, I remain concerned that agricultural pest detection has taken a back seat to the more traditional homeland security activities of counter-gun, drug, and terrorism efforts.

Are you satisfied with CBP inspections? Will you commit to working with Secretary Napolitano to improve the number and quality of these inspections for agricultural products entering our country?

Answer. I am certainly committed to working with Secretary Napolitano to ensure the agricultural inspection program at ports of entry is working effectively to protect U.S. agriculture. I am pleased to report that staffing levels at CBP have never been higher than they are at this time, and that APHIS and CBP are working together through a variety of mechanisms to improve the Agricultural Quarantine Inspection (AQI) program where needed. While the program has overcome many of challenges it faced just after the 2003 creation of the Department of Homeland Security (such

as the large number of vacancies in the inspection force), one area that APHIS and CBP have targeted for improvement is the inspection of international passenger baggage. Through the Joint CBP-APHIS Task Force, APHIS and CBP managers have developed an operational action plan focused on passenger baggage inspections.

Additionally, APHIS is holding workshops for agricultural inspectors focused on inspection procedures targeting specific pests. Two have already been held (focused on gypsy moth and Khapra beetle), and a workshop focusing on the Asian citrus psyllid is planned for the end of calendar year 2009. APHIS and CBP have also formed a joint task force on exotic fruit flies in response to the large number of detections of a variety of fruit fly species (including several not detected in the United States prior to this summer) in California this year. The task force will look at pathways the pest may be using and develop inspection policies and techniques to address them. The two agencies are also working to increase the number of canine teams deployed at ports of entry, primarily focusing on recruiting inspectors for canine teams. I believe these and other cooperative efforts demonstrate the two agencies' commitment to working together to ensure an effective AQI program.

DOWNER CATTLE

Question. I remain concerned about inhumane practices in slaughter houses and the safety of our food supply. In the fiscal year 2009 Omnibus Appropriations Act, Congress provided funding for 120 full-time staff dedicated solely to inspections and enforcement related to the Humane Methods of Slaughter Act.

As of today, how many full-time inspectors does the Food Safety and Inspection Service have that are dedicated solely to enforcement of the Humane Methods of Slaughter Act? If you have not yet filled all 120 spots, when will these spots be filled?

Answer. The fiscal year 2009 Omnibus Appropriations Act maintained the number of full-time positions (FTPs) dedicated to inspections and enforcement related to the Humane Methods of Slaughter Act (HMSA) to no fewer than 120. Because HMSA tasks are not performed by a single person at an establishment, FSIS instead measures in full-time equivalents (FTEs), which refers to hours spent performing these tasks equivalent to 80 hours a pay period, projected out to a year. As of June 2, 2009, FSIS has measured 110 FTEs for fiscal year 2009, and estimates that there will be at least 140 FTEs by the end of this fiscal year.

COUNTRY OF ORIGIN LABELS

Question. I am concerned about the increasing number of country of origin labels (COOL) that identify multiple countries of origin on meat products. I fear that by over-using labels that contain multiple countries of origin, some producers may be compromising the integrity of the COOL label.

What oversight does USDA intend to conduct to assure the validity of these multiple country of origin labels and protect the value of the label for consumers?

Answer. USDA conducts enforcement reviews at retail facilities and trace-back audits on individual items observed during the initial retail reviews to verify the accuracy of the COOL claim. USDA is now conducting the fourth year of enforcement reviews at retail facilities nationwide. The first 3 years of enforcement reviews were limited by statute to fish and shellfish. As of fiscal year 2009, all covered commodities must comply with the regulatory requirements for COOL.

To "jump-start" COOL monitoring of all covered commodities during 2009 and into 2010, USDA and cooperating State agencies will conduct initial enforcement reviews at nearly 12,000 retail facilities and perform follow-up reviews at 2,000 retail facilities where significant non-compliances are found. In addition, USDA will conduct trace-back audits on 400 individual items observed during the initial retail reviews. The trace-back audit will track the selected covered commodity from retail back to the initiator of the COOL claim to verify accuracy.

Whenever non-compliances are found at the retail or supply chain level, USDA notifies the retailer or supplier in writing and ensures appropriate corrective measures are implemented. Complaints filed by consumers are also investigated and, if appropriate, action is taken to ensure the identified retailer complies with the COOL regulations.

The results of previous year review and audit findings (fish and shellfish only) are as follows:

Retail Reviews—Conducted by State Cooperators or USDA Reviewers

- Fiscal year 2006—1,159 retail stores reviewed—59 percent in full compliance;
- Fiscal year 2007—1,657 retail stores reviewed—67.5 percent in full compliance;
- Fiscal year 2008—2,000 retail stores reviewed—73 percent in full compliance.

Supplier Audits—Conducted by USDA Auditors

—Fiscal year 2007—47 items audited—82 percent in full compliance;

—Fiscal year 2008—50 items audited—95 percent in full compliance.

USDA conducted extensive outreach prior to and during the implementation of the COOL regulatory requirements to facilitate compliance by retailers and their suppliers. For example, during the past year, USDA officials have participated in 21 industry sponsored conference calls, 3 webinars and provided formal presentations at 33 trade association meetings and conferences. Additionally, USDA has resources in place to respond to telephone, e-mail and regular mail inquiries from producers, retailers, suppliers, consumers, media and other interested parties concerning the correct labeling of COOL covered commodities.

ALL NATURAL LABELS FOR POULTRY

Question. Under current regulations, poultry bearing the USDA approved “natural” label can be pumped full of foreign substances, such as saline. These birds are weighed after being filled with salt water, and the consumer ends up paying for more chicken than they receive. This practice also raises health concerns as consumers end up eating a product that has a higher salt content than if the poultry had not been manipulated. Does USDA intend to revisit the “natural” label to rein in such practices? Do you believe that a chicken breast pumped full of saline is natural?

Answer. As a required feature of labeling, the Department mandates that any addition of water and saline to poultry be included in the ingredient statement. Departmental regulations do not prohibit the addition of these components when truthfully labeled.

Regarding “natural” labeling, the Department is charged with regulating “natural” claims in labeling of products under its regulatory purview. We are taking the necessary time to carefully consider issues related to the use of “natural” claims and to decide upon the most appropriate course of action. Even though it remains unclear as to whether or not it will be possible to reach consensus among stakeholders on what “natural” should mean, it is our goal to make every effort to at least minimize areas of differences by seeking a discrete set of alternatives. While we decide how to proceed, companies are still free to submit labels for consideration, and each label which be judged on a case-by-case basis. The Department plans to publish a Federal Register advanced notice of proposed rulemaking on the use of the voluntary claim “natural” in the fall of 2009.

MILK INCOME LOSS CONTRACT PROGRAM

Question. As you know, the dairy industry has been exceptionally hard hit in recent months, and I want to thank you for implementing both the Milk Income Loss Contract program (MILC) and the Dairy Export Incentive Program (DEIP) to help Dairymen in California and across the country. The opening of these programs has been the only bright spot in what has been a very tough time for the industry.

However, I am concerned that the MILC program favors some regions of the country over others. In California we have larger farms than in other regions of the country, an average of roughly 1,000 cows per farm. These large dairies make our State the top milk producing State in the country.

But only the first 2.985 million pounds of milk are eligible for assistance from the MILC program per year. For an average California Dairy farm, this means that only about 15 percent of their milk output is eligible for MILC assistance. This puts California dairymen at a comparative disadvantage with other smaller-farm dairy operations across the country.

How do you plan to address this disparity?

Answer. The Milk Income Loss Contract program limits on eligible production are specified by the 2008 Farm bill. Thus, the Department has no flexibility to address disparity in regional impacts created by the eligible production limits in the MILC. However, California dairy farmers, as relatively efficient producers, do clearly and substantially benefit from the Dairy Product Price Support program and other measures the Department has taken to support the industry. So while the Department has little or no flexibility to tailor the national dairy programs to favor one region over another, California producers are not disadvantaged aside from the MILC production payment caps which affect large producers in all regions of the country.

REVENUE CAPS VS. INCOME CAPS

Question. It is my understanding that the President intends to begin using revenue caps, instead of the traditional income caps, to determine eligibility for direct farm subsidy payments.

I am concerned that using revenue caps will unfairly disadvantage farmers of high revenue, low income crops such as rice and cotton.

Can USDA structure a revenue cap to ensure that farmers of high expense crops will not be prohibited from receiving direct subsidy payments?

Answer. The President's budget maintains the three-legged stool of farm payments, crop insurance, and disaster assistance. However, in keeping with the President's pledge to target farm payments to those who need them the most, the budget proposes a hard cap on all program payments of \$250,000 and to reduce crop insurance subsidies to producers and companies in the delivery of crop insurance. While the budget includes a proposal to phase out direct payments to the largest producers, the Department is prepared to work with Congress and stakeholders as these proposals are considered.

MARKET ACCESS PROGRAM

Question. In recent years, the Market Access Program has provided California farmers with a vital source of monetary and technical assistance as they look to sell their products in foreign countries. In the 2008 Farm bill, Congress authorized \$200 million in mandatory spending for this program; however, the President proposes cutting this program by 20 percent in his budget. Given this program's proven track record of success and widespread industry support, why was it singled out to be cut?

Answer. The President's budget included a series of proposed program terminations or funding reductions that would help reduce the size of the Federal deficit, one of which would have reduced funding for the Market Access Program. Those steps are necessary in order to restore fiscal discipline and lay the foundation for long-term growth and prosperity. They also would help to pay for other high priority initiatives included in the budget, such as healthcare reform, investments in education, and the development of alternative sources of energy.

Although annual funding for the Market Access Program would be reduced, the program would still provide assistance for overseas market promotion of \$160 million per year. In addition, other export promotion programs, such as the Foreign Market Development Program and the Technical Assistance for Specialty Crops Program, would continue at their currently authorized funding levels.

 QUESTIONS SUBMITTED BY SENATOR JACK REED

CATFISH INSPECTION PROGRAM

Question. Mr. Secretary, the 2008 Farm bill transferred the responsibility for inspecting catfish from the Food and Drug Administration to USDA. In doing so, the legislation requires that imported catfish come from countries whose inspection standards are equivalent to U.S. standards. It is my understanding that although USDA's inspection requirements are still being developed, the department is nonetheless required by statute to ensure that a foreign government has equivalent standards on the date when the USDA inspection regulations are finalized if catfish imports are to continue from that country. As a result, there is concern among seafood importers, including one in my State, that there will not be time for foreign countries to achieve formalized USDA equivalence, since that process could take years.

With that as background, do you believe that there is sufficient time to allow for foreign governments to establish equivalent inspection regimes?

Answer. I believe that the legislation should be administered in a fair and equitable fashion that will best achieve the public health protection purposes of the legislation. Regardless of how the department ultimately defines catfish under the 2008 Farm bill provision, we have made it clear from the start USDA's willingness to meet with exporting countries to assist them in initiating the equivalence process. Further, USDA is establishing its catfish inspection program in a manner that is consistent with our World Trade Organization obligations. USDA will notify interested U.S. trading partners when the proposed regulation is published to ensure that they have the opportunity to provide comments, just as we have already provided notification of the changes in the law regarding catfish inspection. We will also provide our trading partners with regular updates on the progress of the rule-

making process, as well as all possible technical and scientific assistance in helping them attain compliance and equivalence.

Question. Are any major catfish exporting countries seeking to establish equivalent standards for catfish? If so, will they be able to establish equivalence concurrent with USDA's new requirements?

Answer. To date, no foreign country has requested equivalency standards for catfish.

Question. Are you examining any temporary alternatives, such as direct inspection of foreign seafood operations, which might allow imports to continue while foreign governments try to achieve equivalent standards?

Answer. USDA's goals in developing the catfish proposed rule is to develop a program that maintains, if not improves, the public health protections of consumers and that is fair and equitable. In the proposed rule, we will lay out our thinking in this regard and seek public comment.

Question. Do you believe such measures would be sufficient to ensure the safety of the food supply?

Answer. The core of USDA's mission is to protect the public health, and in no case would we take an action that would not be sufficient to ensure the safety of the food supply.

QUESTIONS SUBMITTED BY SENATOR THAD COCHRAN

CAP-AND-TRADE LEGISLATION

Question. Mr. Secretary, I want to highlight that agriculture producers have little ability to negotiate prices for input costs required to produce the final product. If enacted, cap-and-trade legislation is likely to result in higher costs for fertilizer and other inputs. If input costs increase, how do you expect production agriculture to benefit?

[Clerks Note: The following response is based on information available after the date of the hearing.]

Answer. USDA's preliminary analysis of costs and benefits on the agriculture sector uses energy price and other information contained in EPA's recent analysis of H.R. 2454. In the short term, the economic benefits to agriculture from cap-and-trade legislation will likely outweigh the costs. In the long term, the economic benefits from offsets markets easily trump increased input costs from cap-and-trade legislation. Let me also note that we believe these figures are conservative because we are not able to model the types of technological change that are very likely to help farmers produce more crops and livestock with fewer inputs. Second, the analysis does not take into account the higher commodity prices that farmers will very likely receive as a result of enhanced renewable energy markets and retirement of environmentally sensitive lands domestically and abroad. Of course, any economic analysis such as ours has limitations. But, again, we believe our analysis is conservative, and it is quite possible farmers will actually do better if the cap-and-trade legislation is enacted.

Additional information is provided for the record.

[The information follows:]

Looking first at the cost side, increases in fuel prices are expected to raise overall annual average farm expenses by about \$700 million between 2012 and 2018, or about 0.3 percent. Annual net farm income as a result of these higher energy prices is expected to fall by about 1 percent. These estimates assume that in the short term farmers are unable to make changes in input mix in response to higher fuel prices so they likely overestimate the costs to farmers. Fertilizer prices will likely show little effect until 2025 because of the H.R. 2454 provision to help energy-intensive, trade exposed industries mitigate the burden that emissions caps would impose.

The agriculture sector also will benefit directly from allowance revenues allocated to finance incentives for renewable energy and agricultural emissions reductions during the first 5 years of the H.R. 2454 cap-and-trade program. Funds for agricultural emissions reductions are estimated to range from about \$75 million to \$100 million annually from 2012–2016.

To evaluate the potential impact on the agricultural sector further out in time, we first examine a simple case that allows producers to change the crops they grow but not how they produce them. This approach is conservative given the observation that energy per unit of output has drastically declined over the last several decades. Nevertheless, the estimated impact of the cap-and-trade provision of H.R. 2454 im-

plies a decline of annual net farm income of \$2.4 billion, or 3.5 percent, in 2030 and \$4.9 billion, or 7.2 percent, in 2048.

These estimates are likely an upper bound on the costs, because they fail to account for farmer's proven ability to innovate in response to changes in market conditions. Our analysis is also conservative because it does not account for revenues to farmers from biomass production for bioenergy. A number of studies have examined the effects of higher energy costs with models that allow for expected changes in production management practices and switching to bioenergy crops. Based on the analysis of Schneider and McCarl, for example, allowing for changes in input mix and revenues from biomass production—but without accounting for income from offsets, it is estimated that annual net farm income would increase in 2030 by about \$0.6 billion or less than 1 percent. By 2045, annual net farm income is estimated to increase by more than \$2 billion or 2.9 percent.

H.R. 2454's creation of an offset market will create opportunities for the agriculture sector to generate additional income. In particular, our analysis indicates that annual net returns to farmers range from about \$1 billion per year in 2015–20 to almost \$15–20 billion in 2040–50, not accounting for the costs of implementing offset practices. EPA has conducted its own analysis of returns from offsets that takes into account the costs of implementing land management practices. EPA's analysis projects annual net returns to farmers of about \$1–2 billion per year from 2012–18, rising to \$20 billion per year in 2050. It is important to note that EPA's analysis includes revenue generated from forest management offsets while USDA's does not.

RHS RECOVERY ACT IMPLEMENTATION

Question. I understand that Rural Housing Service has a backlog of over \$2.4 billion in loan requests. Mississippi has a backlog of section 502 rural housing home ownership loans totaling \$577 million and over 700 loan requests. This is the 8th highest in the Nation. The economic recovery act provided an additional \$1 billion in loan authority for section 502. What is the status of implementation of recovery funds?

Answer. As of May 30, 2009, the Rural Development Single Family Housing Direct Program obligated \$137.1 million of Recovery Act funding for 1,073 loans; and, the Guaranteed Program obligated \$4.314 billion of Recovery Act funding for 36,093 loans. Rural Development is in the process of developing and implementing an "Out-reach Initiative" that will provide relief and assistance to field offices in processing single family housing loans. Authorities and funding provided by the Recovery Act will be utilized to hire temporary employees and deploy them in geographic regions based on the population living in poverty in the persistent poverty counties of those regions.

Recovery Act provided an additional \$1 billion in funding for the direct single family loan program. This funding has aided in reducing the backlog in applications that were maintained by the agency. However, in light of the first time home buyers tax credit Rural Development is currently experiencing a significant increase in demand for the single family direct loan program. The current back log totals \$2.7 billion.

AFFORDABLE RENTAL HOUSING

Question. For the last several years, Congress has provided funding for revitalization of rural rental housing projects. At the same time, there is little in the way of funding for newly constructed rural rental housing. What is your view of the proper role for Rural Housing Service in meeting the need for affordable rental housing for families and seniors in rural America?

Answer. Funding provided by Congress to support revitalization efforts has helped us to address the processing demands of a large and rapidly aging Multi-Family Housing (MFH) portfolio financed by the Rural Housing Service (RHS). We would like to continue and expand those efforts.

However, there is a very real demand for new affordable rental housing in rural areas where housing needs are not being addressed by the market or other affordable housing funding programs. RHS can use the Section 515 direct lending program, coupled with rental assistance to assist tenants with the lowest incomes, the Section 538 guaranteed program, which has no tenant subsidy, to serve low and moderate income families, and our direct farm labor housing loan and grant program (Section 514/516) coupled with rental assistance, to serve farm workers that support our country's agricultural activities. These RHS MFH programs allow local communities to build affordable rental options into their housing infrastructure to keep and attract residents.

It is important to note that most new construction activity generated by RHS MFH programs is supplemented by funding from affordable housing partners. In many cases, this job creating third party capital financing would not be attracted to rural areas without the RHS MFH program to serve as a catalyst. In addition, for any affordable housing rental program to succeed in reaching those people or communities most in need, project based rental assistance is often a critical determinant.

QUESTIONS SUBMITTED BY SENATOR SUSAN COLLINS

DAIRY FARMERS

Question. Dairy farmers in the northeast are really struggling. I continue to hear from many of Maine's hard-working family farms who are barely surviving. Many of these families have been involved in the dairy industry for generations. The price farmers are receiving for their milk has plummeted as compared to just a year ago. The USDA has estimated that the average milk price will be \$11.55 per hundredweight in 2009, as compared to the 2008 average price of \$18.32 per hundredweight. The 2009 average price estimate of \$11.55 would be the lowest average annual price received by dairy farmers since 1978.

I understand that there are a variety of factors affecting the price of milk and that the USDA has recently made efforts to assist dairy farmers through existing support programs. I know that you authorized the transfer of dairy products, purchased under the Dairy Price Support program, to domestic feeding groups, and that you activated the Dairy Export Incentive Program. I also am aware that the USDA began making payments under the Milk Income Loss Contract program in May.

While the steps you have taken thus far may be helpful in the short run, I am interested in what actions you are considering as a long-term solution. Under Section 1509 of the Farm bill, Congress authorized a blue ribbon commission to study Federal milk pricing system and recommend changes.

Have you considered long-term solutions to assist the dairy industry?

Answer. Yes, USDA is considering long-term solutions to the problems facing our dairy industry. [Clerk's note: The following response is based on information available after the date of the hearing.] On August 25, 2009, we announced the establishment of a Dairy Advisory Committee to analyze the issues facing the dairy sector. More specifically, the purpose of the Committee is to review the issues of farm milk price volatility and dairy farmer profitability and to provide suggestions and ideas to the Secretary on how USDA can best address these issues to meet the dairy industry's needs.

Question. When will you create the blue ribbon commission to study Federal milk marketing orders?

Answer. Establishment of the commission is subject to appropriations that have not been provided.

EMPOWERMENT ZONES

Question. In January 2002, USDA Rural Development designated a large portion of Aroostook County, Maine, as a Round III Empowerment Zone. This designation, based on Aroostook County's population out-migration, has helped provide applicants with additional points on grant applications and funds for economic development projects.

Economic development organizations and private sector companies in Aroostook have joined together to help stabilize, diversify, and grow the area's economy. This region's continued designation as an Empowerment Zone and the adequate funding of this program are critical for making capital investments, which are prerequisites for business attraction in distressed communities.

During these challenging economic times, it is particularly important that the Federal Government continue its commitment to our most distressed communities.

I was disappointed that the Administration's budget eliminates funding for Empowerment Zones. Can you explain why this effective program was cut in the budget?

Answer. The Department of Agriculture supports rural economic development through community infrastructure, utility, and housing loan and grant programs. The small Empowerment Zone and Enterprise Community (EZ/EC) program duplicates those programs. Communities designated as Rural EZ/ECs are qualified for the regular rural development programs, such as the Business and Industry Guaranteed Loan Program, the Self Help Housing and Development Loans and the Rural Water and Waste Disposal Programs which, in many cases, have set asides in those

programs. The Budget continues to provide funding to the EZ/EC communities through set asides from other Rural Development programs, totaling \$27.6 million. These set asides have been included by the Congress in previous appropriations bills and are expected to continue. In addition, the authority for the EZ/EC program expires December 31, 2009.

RESOURCE CONSERVATION AND DEVELOPMENT COUNCILS (RC&DS)

Question. Can you explain why this effective program was cut in the budget?

The USDA's Resource Conservation and Development (RC&D) program provides important resources for many rural communities in Maine and around the country, advancing valuable local resource conservation and community development projects. RC&D-sponsored activities have led to more sustainable communities, better informed land use decisions, and sound management practices of our natural resources.

Maine's five RC&D councils have proven their effectiveness through a number of accomplishments. During fiscal year 2007, 56 new RC&D projects were approved and 40 projects were completed. In October 2008, the St. John Aroostook RC&D hosted a conference focusing on increasing energy diversity and independence and growing wind power generation in Maine. In addition, the Bangor RC&D has provided business development programs designed to help entrepreneurs create and grow a successful business.

One of the main benefits of the RC&D program is the promotion of local economies through the leveraging of Federal dollars. According to the National Association of RC&D councils, the RC&D program is one of the Federal Government's success stories with its ability to return \$7.50 for every dollar the Federal Government invests to support economic development and resource protection in rural areas.

I was disappointed that Administration's budget eliminates funding for the RC&D program.

Answer. First begun in 1962, the program was intended to build community leadership skills through the establishment of RC&D councils that would access Federal, State, and local programs for the community's benefit. After 47 years, the program has matured to the point that this goal has been accomplished. RC&D councils should have developed sufficiently strong State and local ties to secure funding for their continued operation without Federal assistance.

MAINE FLOOD ASSISTANCE

Question. Last spring, as a result of heavy rains and record melting snow in northern Maine, the St. John and Fish Rivers overflowed, causing severe flooding in Aroostook County, resulting in major evacuations, displacement, and damaged housing for many residents. In May 2008, President Bush declared this region a Federal disaster after this historic flooding.

I am particularly concerned about funding needed to rebuild an apartment complex for low-income elderly and disabled residents of Fort Kent. Funding estimates indicate that rebuilding this critical facility will cost between \$2-\$3 million.

I worked to include report language in the fiscal year 2009 Omnibus, which urged USDA to assist with efforts to rebuild multi-family housing in Fort Kent, Maine, that was destroyed by this severe flooding.

What efforts has USDA taken to assist the community in its efforts to rebuild the USDA multi-family housing that was destroyed by the flood?

Answer. We are pleased to say that funding had been approved for these critical rehabilitation and replacement efforts during June of this year. Currently, all parties are involved with development and construction planning.

SUBCOMMITTEE RECESS

Senator KOHL. The subcommittee will stand in recess.

Secretary VILSACK. Mr. Chairman, thank you for your courtesies, and Senator Brownback, be reassured we will find out about that Tufts program because the Deputy Secretary comes from Tufts. I am hopeful she knows all about that, and if she does not, she is going to find out about it.

Senator BROWNBACK. She better.

Secretary VILSACK. Thank you.

[Whereupon, at 2:55 p.m., Thursday, June 4, the subcommittee was recessed, to reconvene subject to the call of the Chair.]